

The Incorporated Accountants' Journal

The Official Organ of
The Society of Incorporated Accountants and Auditors

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Professional Notes.

THE supplement to this issue represents an interesting ceremony which took place outside Incorporated Accountants' Hall, on November 9th, when the new Lord Mayor, Sir Stephen Killik, F.S.A.A., after being sworn in at the Law Courts, arrived in his State Coach to receive the certificate of Honorary Membership of the Society, together with an Address from the Council. The continuous wet weather on that day in this abnormally dry year did not prove acceptable either to the Lord Mayor's Procession, to those taking part in it, or to the spectators. As a consequence, the photograph is not so clearly defined as it would be under ordinary conditions.

The Deputation from the Society which presented the Address and Diploma to the Lord Mayor consisted of Mr. E. Cassleton Elliott,

President; Mr. R. Wilson Bartlett, Vice-President; Sir Thomas Keens and Mr. Henry Morgan, Past Presidents; Mr. J. R. W. Alexander, standing Counsel; and Mr. A. A. Garrett, Secretary. Two other Past Presidents, Mr. C. Hewetson Nelson and Sir James Martin, were in the Hall, but were unable to face the inclemency of the weather outside. The Ceremony of presentation was very brief, and the Lord Mayor's reply will be found in another column.

As the *Incorporated Accountants' Journal* has a world-wide circulation, we may mention, for the benefit of our readers who are not citizens of London, that the State Coach which is featured in this issue is a vehicle of outstanding interest. It dates from the year 1757, in the reign of George II. The panels were painted by the well-known artist Cipriani. This State Coach, of which immense care is taken, is the property of the Corporation of London. It is seen in the streets only once a year, on Lord Mayor's Day, and necessitates a team of six horses. The ordinary State carriage of the Lord Mayor is a vehicle of more modern construction.

Some attention and curiosity has been directed towards the motto, "Up Killik," which forms part of the Lord Mayor's Coat of Arms. In this connection it should be recalled that an anchor was formerly known as a "Killik," and the command preparatory to putting out to sea was "Up Killik." The motto thus illustrates very aptly the Lord Mayor's rule of life, to be "up and doing."

One of the first engagements of the Lord Mayor and Lady Mayoress upon assuming office was in connection with the Incorporated Accountants' Students' Society of London, of which Sir Stephen Killik is President. He and the Lady Mayoress received the guests at a reception and dance at Incorporated Accountants Hall, on

Friday, November 16th. They were accorded an enthusiastic welcome by those present.

The award in the arbitration between Tillings (Limited) and the London Passenger Transport Board, in regard to a claim for compensation for the assets and goodwill of the undertaking taken over by the Board under Act of Parliament, was made and published by the Arbitrators, Mr. Joshua Scholefield, K.C., Sir James Martin and Sir Philip Nash, at Incorporated Accountants' Hall, on Wednesday, November 28th. The amount of the award, as expressed in stocks of the Transport Board at par value, was as follows:—

£143,871 $4\frac{1}{2}$ per cent. "A" Stock.

143,870 "B" Stock.

1,462,259 "C" " "

The hearing lasted for 31 days and eight counsel appeared thereon. We will refer to the matter more fully in our next issue.

The President of the Board of Trade has appointed a Committee under the title of "German Debts Committee," to advise him in relation to the priority of claims in respect of debts due to United Kingdom traders for goods sold to Germany. The Committee includes Mr. Henry Morgan, F.S.A.A., who represents the Association of British Chambers of Commerce. The other members of the Committee are Lord Plender (Chairman), Lt.-Col. Sir George MacDonogh (Federation of British Industries), Mr. E. Holland Martin (Bank of England), Sir Frederick Leith-Ross (Chief Economic Adviser to the Government), with Mr. R. M. Nowell (Board of Trade) as Secretary.

A question was put to the Chancellor of the Exchequer in the House of Commons last month as to whether he would consider the advisability of appointing a Committee to consider afresh in what securities trustees should be authorised to invest, and what procedure should be adopted for making additions to or deletions from the list of such securities. The reply of Mr. Duff Cooper on behalf of the Government was that a review of the list of trustee securities did not suggest that there had been any substantial change within the last ten years in the aggregate volume of nominal capital available to trustees, and that in these circumstances it was not proposed at present to adopt the suggestion which had been made.

Another Member made the statement that there are now available £6,000,000,000 of British trustee securities compared with £600,000,000 before the War, and these figures were accepted by

Mr. Duff Cooper as fairly correct. There is, however, another reason why the matter should receive consideration, namely, the anomalies that have arisen by reason of the fall in the rate of interest which trustee securities now yield, the effect of which has been to raise many first-class securities to such a premium as, under the present rules, prevent them being available to trustees, whilst others of inferior merit are still eligible investments.

Difficulties frequently arise in connection with new issues of shares by reason of the operations of speculators who withdraw their applications when they find that the public are not coming in as they anticipated. The consequence of these withdrawals, when they are large, is sometimes to upset the whole basis of the allotment, thereby entailing the preparation of a fresh series of allotment letters. Several expedients have been suggested to overcome this difficulty. One of these is that subscription forms should be so framed as to make it impossible for applications to be withdrawn; another is that provision should be made in the prospectus for two classes of applications, one being a payment in full which would entitle the applicant to a preferential allotment. A third proposal is to stipulate that all applications must be signed in the applicant's own name and not, as is frequently done, in the names of fictitious persons. This, however, would not be easy to enforce. It will always be difficult to control or limit the operations of speculators so long as the present system of transfer by renunciation is admissible, and it would appear that the legality of the system is not disputed.

In the King's Bench Division, in the case of *Peterborough Trust, Limited, v. Steel Industries of Great Britain, Limited*, Mr. Justice McKinnon gave judgment in a dispute having reference to split allotment letters. All the allotment letters sent to the plaintiff company were "split" allotment letters and each of them bore a certificate by the secretary of the defendant company that the originals, duly signed and stamped, had been lodged with the company; but when the plaintiff company sent the allotment letters to the defendant company for registration they were informed that certain of the letters were not authorised by the board. It was admitted that the secretary of the company was authorised to issue allotment letters and "splits," but the defence was that he was only authorised to do so in respect of allotments the entries relating to which had been initialled by one of the directors on certain sheets, presumably allotment sheets. His Lordship, in giving judgment, said that the limitation

of the authority of the secretary was not expressly or impliedly or in any other way intimated to the plaintiffs, and he could find nothing at all which ought to have conveyed to the minds of these third parties that there was any such limitation of authority. Judgment was accordingly given for the plaintiff company with costs.

It will be remembered that in 1923 the Treasury made an announcement respecting the treatment of persons making voluntary disclosures of their Income Tax frauds and indicated a more lenient treatment when voluntary disclosure was made than where the wrong-doing was left to be discovered by the Government officials. The terms of the original statement were :—

"Where the taxpayer takes the initiative and voluntarily discloses the fact of his past frauds and their full extent, and is also prepared to facilitate investigations and to furnish full evidence (including not only the business books and records, but also private bank pass books) as may be required on behalf of the Board as to the amount of the correct liability, the Board will not institute criminal proceedings, but will accept a pecuniary settlement."

It appears that the Revenue Authorities have now introduced a restriction which seems to modify the effect of the voluntary disclosure. It provides that where the taxpayer has a disclosure to make and wishes to have the benefit of immunity from criminal proceedings he is asked to furnish numerous particulars within three days. It is not clear, however, whether the time limit is to be strictly enforced or whether it is only introduced as a means of preventing delay in supplying the necessary documents.

Additional subjects have been referred to the Law Revision Committee, which was established in January last under the Chairmanship of Lord Hanworth, the Master of the Rolls. These subjects are three in number, namely :—

1. To consider and report whether all or any of the following enactments should be repealed :— Statute of Frauds, 1677, sect. 4; Statute of Frauds Amendment Act, 1928; Mercantile Law Amendment Act, 1856; Sale of Goods Act, 1893, sect. 4.

2. To consider and report whether, and if so, in what respects, the doctrine of "consideration" requires modification.

3. To consider and report whether the statutes and rules of law relating to the limitation of actions require amendment or unification, particularly in relation to acknowledgments, part payments, and circumstances which prevent periods of limitation from beginning to run, &c.

Three of the four subjects originally referred to the Committee have been reported upon and the Committee's recommendations have to some extent been given effect to by the Law Reform (Miscellaneous Provisions) Act, 1934.

The permissible export quota of rubber for the first three months of 1935 has been fixed at 75 per cent. of the basic quotas as compared with 70 per cent. now ruling. In addition to this the standard for next year is somewhat higher, so that, apart from the allowance for French Indo-China, the total exportable allowance will be at the rate of 816,000 tons per annum as against 697,550 tons per annum at the end of this year. There has been a good deal of discussion over this matter and the result is in the nature of a compromise between the British and Dutch points of view. One of the difficulties is in connection with the Dutch native problem, which the Dutch authorities are finding very difficult of solution.

A point of some importance in relation to Motor Vehicle Insurance was decided by the Court of Appeal last month in relation to the liquidation of the *South-East Lancashire Insurance Company, Limited*. The assets in the liquidation were not sufficient to provide for the claims of all the creditors and the question arose whether the £15,000 which had been deposited with the Accountant General under the provisions of the Assurance Companies Act, 1909 as amended by Sec. 42 of the Road Traffic Act, 1930, was a specific fund or a general fund. It was argued that Sec. 3 (2) of the 1909 Act applied. That subsection provides that a fund of any particular class shall be the absolute security of the policy-holders of that class. Mr. Justice Eve in the Court below accepted this view and decided that the £15,000 was primarily applicable in satisfaction of claims under Motor Vehicle Insurance Policies issued by the company and was not part of the company's general assets, but this decision has now been reversed by the Court of Appeal.

The Master of the Rolls, in delivering judgment, said that under the Acts there was no segregation of one sort of risk or policy undertaken or issued in the course of carrying on Motor Insurance business, from any other sort. All that was done was to indicate that third party risks were to be included as risks which arose out of and in connection with the use of motor vehicles. In his opinion the general provisions in sect. 3 of the 1909 Act, which require separate funds to be kept in respect of each class of insurance business, was not to be construed so as to break up Motor

Insurance into several categories of which third party risks would be one. Lord Justice Romer added that by reason of Section 32 (d) of the 1909 Act the Company was under no obligation to keep a separate fund in respect of its motor insurance business and the provisions of Section 3 (2) did not therefore apply.

At the London Regional Conference of the National Savings Movement a question was raised as to the 5th Issue of National Savings Certificates being less attractive than it might be by reason of the investor having to wait for a period of 12 years before receiving the bonus. A resolution moved by Mr. Hoar (City of London) and seconded by Mr. Alderman Rye (Westminster) expressed the unanimous desire of the Conference "that the National Savings Committee be asked to approach the Treasury on the subject of the possible revision of the terms of the 5th Issue Certificate to make it more advantageous to the small instalment saver by means of an intervening bonus, or any such other way as will make the Issue more attractive." It was pointed out that the 1st Issue of Savings Certificates had a bonus at the end of the fifth year and was afterwards extended to ten years with another bonus at the end of the tenth year. Compared with this the small investor of to-day had to wait for 12 years for his bonus and consequently the Savings Certificate was no longer so attractive. In fact, as regards the rate of interest, it only overtook the Post Office Savings Bank at the fourth year when the interest rate reached about $2\frac{1}{2}$ per cent. The Chairman, Lord Mottistone, said he would discuss the matter with the Treasury but doubted whether the proposal would be entertained.

TRUST ESTATES AND THE LAW REFORM ACT, 1934.

OF importance to executors and administrators as well as to students of Executorship Law are the first two sections of the Law Reform (Miscellaneous Provisions) Act, 1934. The first section, subject to minor exceptions, abolishes the ancient doctrine of *actio personalis moritur cum persona*. As from the date of the operation of the Act, which received the Royal Assent on July 25th, all causes of action subsisting against or vested in a deceased person are to survive against or, as the case may be, for the benefit of his estate, except causes of action for defamation or seduction, or for inducing one spouse to leave another, or for damages on the ground of adultery.

Henceforth, therefore, the estate of a deceased person may be sued in respect of breaches of purely personal contracts, such as contracts of service or

promises of marriage; and action will also lie in respect of purely personal torts, such as assault or personal injury.

The section proceeds, however, to impose certain important limitations on the general proposition. It provides that where action is brought by the estate of a deceased person no exemplary damages shall be awarded, and that in the case of breach of promise actions the damages are to include only the damage done to the estate. Moreover, where the death of the person whose estate is suing has been caused by the act or omission which gives rise to the cause of action, the damages are to be calculated without reference to any loss or gain to his estate consequent on his death, except that a sum in respect of funeral expenses may be included.

In the case of actions founded on torts, no action may be brought against the estate unless either proceedings were pending at the date of the death, or the cause of action arose during the six months before the death, and proceedings are taken during the six months following the taking out of probate or letters of administration.

Perhaps the most important sub-section is that which has put an end to what has long been a noticeable anomaly. Hitherto, where in a motor accident between two cars both drivers were killed, the estate of neither could sue, notwithstanding that one of the drivers was clearly guilty of negligence. The result was that the third-party clauses of the drivers' policies were in such circumstances ineffective. This anomaly has been removed by a not-too-lucid section which provides that, where damage has been suffered by reason of any act or omission in respect of which a cause of action would have subsisted against any person if that person had not died before or at the same time as the damage was suffered, there shall be deemed, for the purposes of the Act, to have been subsisting against him before his death such cause of action in respect of that act or omission as would have subsisted if he had died after the damage was suffered.

The section concludes by providing that the rights conferred by the Act for the benefit of the estate are in addition to the rights conferred on dependants by the Fatal Accidents Acts and by the Carriage of Goods by Air Act, 1932; and by stipulating that where an estate is administered as an insolvent estate, any liability in respect of the cause of action in respect of which the proceedings are maintainable shall be provable in the administration notwithstanding that it is a demand in the nature of unliquidated damages.

Sect. 2 of the Act is of considerably less importance than sect. 1. Briefly it provides that for the purposes of the Fatal Accidents Acts, 1846 to 1908, a person shall be deemed to be the parent or child of the deceased, notwithstanding that he is related only illegitimately or by adoption; and that in an action brought under these Acts damages may be awarded in respect of the funeral expenses of the deceased person if such expenses have been incurred by the parties for whose benefit the action is brought.

INTEREST ON DEBTS.

CREDITORS have a statutory right to interest on debts by the Bills of Exchange Act, 1882, and the Judgments Act, 1838. The former provides that when a bill is dishonoured the measure of damage shall include, *inter alia*, interest thereon from the time of presentment for payment, if the bill is payable on demand, and from the maturity of the bill in any other case. Where by the Act of 1882 interest may be recovered as damages, such interest may, if justice require it, be withheld wholly or in part, and where a bill is expressed to be payable with interest at a given rate, interest as damages may or may not be given at the same rate as interest proper. By sect. 17 of the Act of 1838 it is provided that every judgment debt shall carry interest "at the rate of 4 per centum per annum from the time of entering up the judgment until the same shall be satisfied, and such interest may be levied under a writ of execution on such judgment." In an action of debt on an award, interest is recoverable on the sum awarded from the time at which it was demanded. Creditors also have a right to such interest by agreement.

The question arises: when are creditors entitled to interest on debts in the absence of an express agreement? The rule laid down in *Page v. Newman* (1829), which was held as a long-established rule, was that interest is not due on money secured by a written instrument unless it appears on the face of the instrument that interest was intended to be paid, or unless it is intended to be implied from the usage of trade as in the case of mercantile documents. In the House of Lords, in *London, Chatham and Dover Railway v. South-Eastern Railway* (1893), it was held that interest could not be given by way of damages for detention of a debt, the law upon that subject, unsatisfactory as it is, having been too long settled to be departed from. Bankers are entitled to claim simple interest on their advances if it is their custom to charge interest (*Harwood v. Underhill* (1820)).

There are several special cases where the rules of equity allow simple interest in certain circumstances, *e.g.*, an executor is liable for interest on funds retained by him uninvested which he should have invested; an agent using his principal's money for his own use is liable for interest; money obtained by fraud may be recovered with interest provided that the fraud is proved; a receiver may be charged interest on balances in his hands after neglecting to pass his accounts; and interest may be claimed

on money paid by a surety for a defaulting principal debtor. The ordinary creditors claiming interest must, however, rely on the Civil Procedure Act, 1833, sect. 28 of which provides that upon all debts or sums certain, payable at a certain time or otherwise, the jury on the trial of any issue, or on any inquisition of damages, may, if they think fit, allow interest to the creditor at a rate not exceeding the current rate of interest from the time when such debts were payable, if payable by virtue of some written instrument at a certain time, or if payable otherwise, then from the time when a demand for payment has been made in writing, giving notice to the debtor that interest will be claimed from the date of the demand. A jury on the trial of any issue may give damages in the nature of interest over and above the value of the goods at the time of the conversion or seizure, in all actions of trover or trespass.

The common practice of tradesmen printing on their bills a notice that interest at a certain rate will be charged after a stated period of time has no legal effect. This was settled in *Williams v. French* (1891) and upheld in *Tatz v. Archdale* (1895). In the former case, in the administration of the estate of a deceased debtor, claims were made in respect of certain tradesmen's accounts, which included charges for interest. In each case, accounts had been sent in during the lifetime of the debtor charging interest after one year's credit. No objection was made by the debtor to the charges, and he from time to time made payments on account of the amounts shown to be due. The heading of the accounts sent to the debtor by one of the claimants contained the words, "Five per cent. interest charged after 12 months' credit." The Court held that interest could not be charged as no agreement to pay interest could be implied from the circumstances and no demand with notice of a claim for interest had been made within sect. 28 of the Act of 1833. The Court, however, may find an implied agreement to pay interest, as in *re Marquess of Anglesey* (1901). During a series of years a tradesman, in the yearly accounts which he delivered to his customer, charged him with interest on amounts which had been due for three years and longer. The customer never objected to the charge for interest, and from time to time made payments on account generally. At the time of the customer's death a large amount was due from him for goods supplied. It was held that an agreement on the part of the customer to pay interest ought to be inferred from the course of dealing, and that the tradesman was entitled to prove in the administration of the customer's

estate for interest as it had been charged, as well as for principal.

To sum up, in the absence of an agreement to that effect, or of a course of dealing between the parties from which such an agreement may be inferred, interest is not, as a rule, recoverable on a debt as damages for non-payment of it. An agreement to pay interest is not implied even in the case of money lent. The notice printed on accounts that interest will be charged on overdue accounts is not, unless the debtor has paid such interest in the past and so established a course of dealing, sufficient to support a claim for interest. With certain exceptions, mainly statutory, interest is recoverable only where there is an agreement, express or implied, to pay it.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETINGS.

A special meeting of the Council was held at Incorporated Accountants' Hall, on Oct. 25th, when there were present:—Mr. E. Cassleton Elliott (President), in the Chair; Mr. R. Wilson Bartlett (Vice-President), Mr. A. Stuart Allen, Mr. W. Norman Bubb, Mr. Henry J. Burgess, Mr. Walter Holman, Sir Thomas Keens, Mr. Henry Morgan, Mr. W. Paynter, Mr. Richard A. Witty, Mr. A. A. Garrett (Secretary) and Mr. E. E. Edwards (Parliamentary Secretary).

A number of new members were elected, and other routine business was transacted.

DEATHS.

The Secretary reported the deaths of the following members:—Mr. Samuel Malachi Bond (Associate), Birmingham; Mr. Walter Ethelbert Boughey (Associate), London; Mr. William Brittain (Associate), Newcastle-upon-Tyne; Mr. Percy Peppin Cook (Associate), Melbourne, Australia; Mr. John Collier (Fellow), Manchester; Mr. Frederick James Coombes (Fellow), Liverpool; Mr. Herbert James Eldridge (Fellow), London; Mr. James Randle Hughes (Associate), Bury; Mr. John McPeak (Associate), Los Angeles, California; Mr. Nathaniel Richard Manning (Associate), Halifax; Mr. Padmanabha Mannadiar (Associate), New Delhi, India; Mr. Henry Ernest Mattinson (Fellow), Durban, S.A.; Mr. John Kendrick Millward (Associate), Newport, Mon.; Mr. William James Morton (Fellow), London; Mr. William Ewart Percival (Associate), Carlisle; Mr. Herbert Reynolds (Fellow), Bradford; and Mr. John William Walper (Associate), London.

A further meeting of the Council was held on November 27th, when there were present: Mr. E. Cassleton Elliott (President), in the chair, Mr. R. Wilson Bartlett (Vice-President), Mr. A. Stuart Allen, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. W. Norman Bubb, Mr. D. E. Campbell, Mr. W. Allison Davies, Mr. F. Holliday, Mr. Walter Holman, Sir Thomas Keens, Mr. Edmund Lund, Sir James Martin, Mr. Henry Morgan, Mr. C. Hewetson

Nelson, Mr. James Paterson, Mr. W. H. Payne, Mr. A. E. Piggott, Mr. J. Stewart Seggie, Mr. Percy Toothill, Mr. A. H. Walkey, Mr. R. T. Warwick, Mr. E. W. C. Whittaker, Mr. Richard A. Witty, Mr. F. Woolley, Mr. A. A. Garrett (Secretary), Mr. E. E. Edwards (Parliamentary Secretary) and Mr. J. R. W. Alexander (Standing Counsel).

DEATH OF MR. G. S. PITT.

Before proceeding to the business of the meeting, the President referred to the recent and regretted death of Mr. George Stanhope Pitt, a Past President of the Society. The Council rose in their seats and adopted a resolution of condolence with Mrs. Pitt and with the members of the family of the late Mr. Pitt.

Apologies for non-attendance were received from Mr. Henry J. Burgess, Mr. Arthur Collins, Mr. W. Paynter, Mr. Alan Standing and Mr. F. Walmsley.

THE SOCIETY'S JUBILEE.

It was decided that the celebration of the Jubilee of the Foundation and Incorporation of the Society should be held in London on Wednesday, April 3rd, Thursday, April 4th, and Friday, April 5th, 1935. The arrangements were left in the hands of a Committee of the Council.

The President reported that in connection with the Jubilee celebrations, Mr. Frederic Walmsley, the Senior Past President, desired to make a presentation of old silver to the Society for use at Incorporated Accountants' Hall, and also a donation to the Benevolent Fund. The Council accepted with much appreciation Mr. Walmsley's gift, and directed that the thanks of the Council be communicated to him.

It was reported that the Lord Mayor and Corporation of London had granted to the Society the use of the Guildhall for a dinner to be held on April 4th, 1935.

DEATHS.

The Secretary reported the deaths of the following members: Mr. Sidney John Field (Fellow), London; Mr. James Marriott Jackson (Associate), Downham Market; Mr. William David Mill (Associate), London.

PRESENTATION TO THE LORD MAYOR OF LONDON.

On Lord Mayor's Day, November 9th, the Lord Mayor's coach halted at Incorporated Accountants' Hall on the way back from the Law Courts to the City. The President of the Society of Incorporated Accountants and Auditors, Mr. E. Cassleton Elliott, accompanied by the Vice-President and Past Presidents, presented to the Lord Mayor, Sir Stephen Killik, a bound and illuminated volume containing an Inscription of the Resolution adopted by the Council conferring upon Sir Stephen Killik the Honorary Membership of the Society. At the same time there was presented to him the Diploma of Honorary Membership, in recognition of his services to the Society since the year 1895, in which year he qualified as an Incorporated Accountant.

In accepting the documents, the Lord Mayor said it was extremely gratifying to receive at the hands of the President the Resolution of the Council conferring upon him the Honorary Membership of the Society. He added that the distinction was so rarely bestowed that it was an honour greatly prized, and he thanked the President and Council most sincerely for their great kindness.

Society of Incorporated Accountants' and Auditors.

PRESIDENT'S DINNER.

On Monday, November 26th, Mr. E. Cassleton Elliott, the President of the Society, gave a dinner at Incorporated Accountants' Hall at which the following guests were present:

The Mayor of Westminster, The Common Serjeant, Mr. B. A. Glanvill, Mr. W. J. O'Brien, M.P. (Pietermaritzburg), Mr. A. E. Cutforth, Sir James Rae, Hon. Edward G. Eliot, Sir James Martin, Mr. Walter Bentley, Sir Ernest Gowers, Sir Walter Kinnear, Mr. C. Hewetson Nelson, Mr. G. Stanley Pott, Mr. F. L. Bland, Mr. R. Wilson Bartlett, Mr. G. Imroth, Mr. N. K. Silver, Mr. H. J. Burgess, Mr. Percy Toothill, Mr. E. C. Martin, M.B.E., Mr. Alexander Hannah, Mr. A. A. Garrett, M.B.E., Mr. A. F. Pool, O.B.E., Mr. Edwin Nott, Mr. Owen Green, Mr. Edgar Collett, Mr. D. Tweddle, Mr. H. P. Gowen, Mr. R. B. Dunwoody, C.B.E., Mr. Frederick Holliday, Mr. John Watson, Mr. F. Harrison, Mr. R. W. Woodhead, Mr. G. Roby Pridie, Mr. W. Norman Bubb, Mr. W. Bertram Nelson, Mr. S. Foster, Mr. E. T. Brown, Mr. Joseph Turner, Mr. T. O. Morgan, Mr. A. Stuart Allen, Mr. Ernest E. Edwards, Sir Thomas Keens, Mr. A. E. Watson, C.B.E., Mr. Harold M. Barton, Sir Nicholas Waterhouse, Dr. W. H. Coates, Mr. A. E. Dean, M.B.E., Mr. Henry Morgan, Mr. C. T. A. Sadd, Mr. H. L. O. Flecker, Mr. G. A. T. Allan, Hon. George Colville, M.B.E., The City Remembrancer, Mr. F. V. Enthoven, Mr. H. L. H. Hill, Mr. A. E. Piggott, Mr. Albert E. Stringer, Mr. James Paterson, Mr. Edmund Lund, M.B.E., Mr. Tudor Davies, Mr. Robert Bell, Mr. Arthur H. Hughes, Mr. R. M. Branson, Mr. D. E. Campbell, Mr. G. A. Ridgway, Mr. M. H. Groves, Mr. J. Stewart Seggie, Mr. J. Paterson Brodie, Mr. Norman Booth, Mr. F. A. Prior, Mr. J. R. W. Alexander, Mr. E. W. C. Whittaker, Mr. W. Allison Davies, O.B.E., Mr. William Strachan, Mr. R. T. Warwick, Col. William Parker, Mr. Walter Holman, Mr. Fred Whittingham, Mr. A. H. Walkey, Mr. Richard A. Witty, Mr. Arthur Collins, Mr. Robert Walker, Mr. S. Bayliss Smith, Commander C. J. R. Livingstone-Learmonth, R.N. (Ret.), Mr. Frank H. Elliott, Mr. W. A. Hurst, Mr. C. J. H. Cowdy, Mr. H. G. Howitt, D.S.O., Mr. T. A. Ryder, Mr. G. Russell Elliott, Mr. W. A. Ibbott, Mr. C. F. Coleman, Mr. Villiers F. C. Hawkins, Paymaster-Captain J. Siddalls, O.B.E., Hon. A. E. A. Napier, C.B., Mr. Fred Woolley, Mr. Ernest S. Beal, Mr. C. H. Isdell-Carpenter, O.B.E., Mr. A. de V. Leigh, M.B.E., Mr. J. W. Allen, O.B.E., Mr. Adam Maitland, M.P., Mr. Harold G. Judd, C.B.E., and Mr. J. C. Burleigh.

There were no speeches. The health of the President was proposed by Mr. Glanvill and suitably acknowledged.

THE SOCIETY'S JUBILEE.

The Jubilee of the foundation and incorporation of the Society of Incorporated Accountants and Auditors will be celebrated in London on Wednesday the 3rd, Thursday the 4th, and Friday, the 5th of April next. A further announcement will be made in due course.

Reconstruction.

A LECTURE delivered before the Incorporated Accountants' London and District Society, by

MR. HAROLD MACMILLAN, M.P.

Mr. Walter Holman, F.S.A.A., the chairman of the District Society, presided.

Mr. MACMILLAN said he was fully conscious of the temerity to which the Chairman had referred in trying to give an address on so difficult and complicated a subject to those who were, in fact, experts in these matters, and he was quite aware that there was a grave danger of being thought to be quite a good politician by economists and a good economist by politicians. It was very easy to fall between two stools.

The subject on which he would try to interest them for a short time was a very large one, and he would start with one comprehensive apology which he hoped they would accept—that for the purposes of clarity and owing to the short time at his disposal it was necessary to overstate almost every argument. He was not so ignorant of the truth as not to know that in a very elaborate treatment of the subject a great number of reservations would be necessary. He was therefore going to ask them to accept one comprehensive apology for the necessary exaggeration of the points he would put before them—necessary because of the character of the address and the way in which he had to compress it.

It was a very noticeable effect of modern conditions how rapidly the paradox or the epigram of a few years ago became regarded as a truism of the moment. During the last few years nothing was more clear than the way in which people at large—not the people who studied economics, but the great mass of people at large—had fixed upon the central feature of modern economic life, the paradox of poverty in the midst of plenty. One heard it now on every platform distorted and used by the speaker for his own purposes. But what was said only a few years ago as rather an epigrammatic summary of the situation had now eaten into the hearts and minds and intelligences of the mass of ordinary people. He was convinced that they had to take account of that factor as a very important one. People, particularly in England, rather enjoyed suffering up to a point; they were quite prepared to fight with their backs against the wall, to tighten their belts, and do all the things that they were asked to do from time to time if they thought it was necessary; but it was difficult to make them undergo those privations if it seemed to them that they were absurd and fantastic. When they were confronted on the one hand with the obvious fact that science and invention had made available production on a scale never known before, and on the other hand with the fact that a very large number of people suffered from a permanent shortage of the necessities, and certainly of the minor luxuries, of life, then, of course, it was very difficult to retain their support for any system under which they were asked to live.

He was going to try to make a very short preliminary survey, which again would be rather exaggerated, of what seemed to him to be the real change in the conditions of the 20th century as compared with the previous century. Two factors had operated at the same time. In the first place, they all knew that the power of production had risen through science and invention to an incredibly higher degree, and, while the power to satisfy demand had been phenomenally increased, the market

had ceased to expand in the same ratio. He thought it was obvious that the history of capitalism in its earlier stages was the history of a rapidly expanding market; and the system of *laissez faire*—free competitive units—was the one best adapted to these conditions, for at that time the object was to increase production, to increase it all the time, and, taken over a long period, at any rate, it could always find satisfaction.

During the last generation, however, two things had happened at once—the power of production had been phenomenally increased and the rate of market expansion had slid down. They had only to look at the history of the 19th century to see the vast and spectacular increase in market expansion. The population then looked to the West—to the development of North and South America. The population of America 100 years ago was, he supposed, not more than 10 millions, but by the end of the century it was over 100 millions. There was also the expansion of the African continent. With the vast developments in all these markets the problem was how to raise production to the point of satisfying the demand. Moreover, we had the advantage of being the pioneer, in some respects the monopolist country in expansion, and we were able to finance the export of capital goods by the export of our own capital. The great railways of the world—of the United States and the Argentine particularly—were mainly constructed through the export of capital and capital goods from this country. Now it would, of course, be an exaggeration to say that the rate of market expansion had ceased absolutely, but it had slid down relatively to the power of production to satisfy it. The rate at which the market had expanded was now of an insufficient ratio, and one that tended towards a clogging of the system.

At the same time, all the other phenomena with which we were acquainted had grown up. We were no longer the pioneer country of the world; we no longer had economic control. Economic nationalism represented the determination, and the fixed determination, of other countries in the world to organise themselves upon an industrial basis. Whether we liked it or not, there was that tendency noticeable before the war; it was immensely increased in rapidity by the war itself, and to-day we had a more or less complicated system of world production. Added to that complication was the complication of different standards of life, different conditions, different rates of wages, and violent competition between countries maintaining different points of view as to the wages and standard conditions they ought to maintain.

All those things together had made the problem with which we were faced a very much more difficult one than that with which our fathers were faced. Most of those who were in business or who had inherited a business, or were brought up in one, had a great admiration for their fathers and grandfathers. But it should be remembered that they had the comparatively simple problem of increasing production. The market for their goods was not very difficult to find, and as long as financiers could continue to export capital there was not much difficulty in organising the export of capital goods. Now the sole purpose for which capitalism existed was to produce a surplus; but if it could not do anything with that surplus, then it was bound to get into difficulties. But he thought one of the main troubles—and he would have a word to say about it later—was that we had for the moment abandoned the attempt to export our surplus by adopting the policy of no longer allowing foreign investments to be made on a large scale. At the same time we had pursued a restrictive policy at home which had prevented us from investing surplus capital for expansion at home. This

had had the effect of causing a fall in the price level. If that rough summary of what had happened was true, we had reached a situation which was much more difficult to face than that which faced previous generations. And at the same time, for one reason or another, sometimes political and sometimes economic, those places which might have kept the old system operating for a longer period did not now exist.

He thought it was just possible that if it had not been for the war and for the revolution and for various things that had since developed, Russia might now have played the part to the capitalist world that America played in the 19th century. A vast expansion and sale of goods financed by the export of British capital might then have been seen. But for some reason or another—whether with regard to India, China, Japan or elsewhere—we had not got readily available those automatically increasing markets to take the export of capital and the export of capital goods.

In that situation, therefore, were we not bound to be thrown back on first principles? On what did prosperity depend? Could any formula be found upon which to work? He supposed it was clear that, however glibly the theoretician might say that the problem of production was solved, the problem of distribution remained. It was sometimes said that the problem of production had been solved and only the problem of distribution remained. What exactly did that mean? Did it mean the problem of giving goods to people, or selling goods to people? If it meant the problem of giving goods and services to people, of course there was no technical difficulty at all in putting all the production machinery to work and giving the proceeds away to the people of this and other countries. But if it meant the problem of selling goods, then it surely led to a much more difficult thing than appeared on the surface—it was the problem of so organising production of goods and services that they would interchange with one another.

Of course there would always be in any community a certain number of people to whom it would be necessary to give goods and services, such as the aged and infirm, those who were incapable of producing anything that could possibly be required. But it was an unsatisfactory condition when that was not restricted to those who were not able to produce goods or services themselves which they could reasonably expect to interchange with others. But to-day there were large bodies of men who were willing and able to produce goods and services if they could be directed into the proper channels. It therefore came down again to this, that if goods and services could be exchanged in the proportion that they interchanged with one another, then there would be equilibrium and prosperity.

The first problem that had to be solved, therefore, was how to achieve the production of goods and services so that they would interchange with one another. There was nothing new about that being the definition of prosperity, but what was the best method by which it could be attained? Those who advocated the old method used to say that it was best achieved by automatic adjustment. During a period of "boom" there was over-production and prices fell, and the only way in which equilibrium could be restored was by the weak producer going to the wall and by prices either rising or becoming stabilised. The whole system was based on that view. They argued that nothing must be done, either by tariffs or organisation, to bring the system back into equilibrium; it had temporarily gone out of equilibrium and the natural laws must be allowed to operate. The trouble of that

was, however theoretically desirable it might be, that it was unfair and impracticable.

In order to see exactly what that meant they would do well to look at the obvious rigidity of our system. Taking first the labour side. How were they going to adjust wages by the old pressures? Was labour to be put back into the position it was in at the beginning of the industrial revolution and to be regarded as nothing but a commodity to be bought and sold at what it would fetch? If they were to do that, they would have to undo all that the Trade Unionists had done. They would have to abandon public assistance or unemployment insurance, &c., which prevented the automatic falling of wages when there was no longer a sufficient demand for labour; in fact, they could never get the fluidity of the old system unless they were prepared to go back to enforced labour and the mobility of the price at which it could be obtained by actual pressures of that kind.

But what about the capital side? Was it, in fact, true that the system could be brought back into equilibrium by the weak producer going to the wall? His audience had a much better idea than he had of how long it took for any producer to go to the wall, weak or strong. They knew the tendency would be to form larger industrial units; the tendency of bank policy would be to maintain production by extending ordinary banking accommodation—practically long-term finance. The difficulty of the social effects of allowing large industries to go to the wall had precluded that from taking place. It was all very well to say that the banks ought to have done this or that, but could they adopt any method which would put a whole town out of employment if it were rigidly enforced? Moreover, in point of fact, forcing a weak producer into liquidation did not necessarily force his plant into liquidation. They had seen hundreds of times that someone else came along and bought up the plant at a very cheap rate and continued production on a large scale, and was able to threaten those firms which, by more stable management, had got through the crisis. Although they put the man out of business, they did not put his plant out of production.

Both on the labour side and on the capital side it was not possible to get the rapid adjustment of the system to bring it into equilibrium which was supposed to operate a hundred years ago. One factor was the great difference to-day between wage costs and overhead charges. Obviously, in a very primitive form of production nearly all the costs of the product were wage costs, but the more advanced the production became the more it became part of the cost of the plant which had been put up. One got a situation to-day where a business could collect enough money to pay its weekly wage bill and to go on producing, although it was unable to meet the interest on the cost of the plant which had been erected.

All those factors had entirely altered the situation, and one could not hope effectively to get by automatic methods a return to equilibrium. Therefore it was necessary to substitute some effort to restore the system for the old idea that it could be ultimately restored by natural forces. Well, what were the methods? There were two methods of doing that. One which attracted certain minds was to say, "Let us have a completely centralised control of all the machinery of production and distribution. Let us have planned production by a centralised system." To some extent that was attractive, but he did not believe it was possible to organise the whole work of production and distribution in this country under any bureaucratic system. He did not think they could find any supermen who could control the whole efforts of all the producers in the country. Therefore he thought himself that the

method of what he would describe as Socialist bureaucratic planning by a central Whitehall control was bound to fail. They would be taking on obligations which it would be quite impossible for them to carry out, and it would break down. Apart from the difficulties of getting possession without another form of revolution—a revolution between property and those who were attacking it—there would be the difficulty of finding a technical staff capable of managing so vast a series of undertakings. He was certain that the civil service of this country, which was the best in the world for its proper functions, was quite unsuited and would be very unwilling to undertake the functions of production and marketing. Consequently that method had to be altogether ruled out.

Was there, then, any other method by which it might be possible to maintain the balance in industry between production and demand and ultimately international balance through the direction of investments? He thought himself that the obvious thing to do was not for the Government to say, "We propose to take over the work of planned production in the coal, cotton or steel industry, but we propose to put that obligation on the industry itself; in other words, we propose a method, not of bureaucratic centralised government, but of home rule." They would say to the industry, "You are responsible for the conduct of your industry in such a way as to maintain the stability of prices, wages and employment."

When they had said that, what did it translate itself into? Politicians were very fond of saying to industrialists, "You ought to put your house in order and then we will help you." To that the industrialist had a perfectly good reply. He said, "How can I put my house in order? The industry is not a unit, it is a series of individual units and I have no authority." If one tried to organise a trade association they knew quite well that, after weeks of meetings, there were always people who would say, "I won't agree to anything on any terms whatever." There was always the doubt as to whether the agreement was at any rate contrary to common law. There was no system by which an industry could change itself from a series of independent units into a greater body for any purpose whatever except in the case of those which happened to operate by Royal Charter. They could never get 100 per cent. agreement, and there was always the danger of those who were injured setting up a scheme of their own.

He thought they had now reached the stage when Government should confer permissive powers, at any rate to start with, upon industry. Subject to reasonable safeguards, majorities should be given statutory authority to organise the conduct of their own affairs. The schemes agreed to by trade associations should be given proper examination, and should become, if Parliament approved them, statutory obligations. Something should be done for industry as a whole on similar lines to those adopted for agriculture. Permissive powers should be given in the first place to those industries who wished to use them in order to enable them to bring some greater degree of order out of the chaotic condition many of the larger industries were in to-day.

Obviously it would then be necessary to have another organisation—some kind of central organisation that would have the power not only to deal with one particular industry, but to look at the country as a whole. In this country we were suffering from the lack of any central organisation that could deal permanently with economic questions and act as a link between the Government and industry. For some ten years now we had had successive governments who consulted individual industrialists,

individual economists and individual financiers, but there had been no method and no machinery of government by which it was possible to evolve and carry through a more or less coherent or even consistent policy. The policies governments had pursued had often been contradictory. Curiously enough, members of the same Cabinet pursued policies which tended to cancel out each other. He thought the Board of Trade and the Board of Agriculture were doing it to-day.

What we lacked was some kind of organisation in which these questions could be considered in a much more informal way than was possible in Parliament—an organisation by which successive Governments could have the advantage of a carefully-thought-out and discussed policy. Obviously such a body would have to consist partly of representatives of each particular industry—of the industrial councils that, as a result of the legislative powers, would govern organised industry. It would also require finance to be represented, and it would have to be kept in close touch with the Government and the body determining the fiscal policy that was going to be pursued.

If there was a permanent body, not too large, that would make no attempt to supersede Parliament, if this body represented industry, finance and Government, he thought they would be able to work out a much more coherent policy on which it would be possible to advance towards the solution of some of the existing problems. Of course the organisation of a particular demand in a particular industry was only one-half of the problem. The other half was to restore and maintain equilibrium. The monetary policy of the Government was as important as, and perhaps more important than, its industrial policy.

This point, he thought, was absolutely clear—that somehow or other the rate of investment and the rate of saving must be kept level. That was the second and vitally important factor if equilibrium was to be preserved. Every economist would admit—with the exception of Major Douglas—that there was sufficient purchasing power distributed in production to buy back the product in the market; that the total of wages, salaries and profit was in fact the price of the article; and that therefore there was always a complete supply of purchasing power sufficient to purchase all the products. If that was true the question arose, "Why is it that there is from time to time a shortage of purchasing power?" Of course it was not necessary for him to say that some part of the wages, some part of the salaries, and some part of the profits was temporarily withheld from the market. It did not re-enter the market with the same facility as that with which it was distributed; in other words, some part of savings did not re-enter the market for investment. Then there was naturally a shortage of purchasing power and a fall in prices.

To-day savings had to be considered, he thought, from two points of view. There was the individual personal point of view. One might say, from the personal point of view, for the benefit of one's children, &c., but that had really no economic purpose. The nation as a whole only gained by saving if the money saved were put into fresh investments in capital goods required to keep industry up to date and to keep on developing the country. It was the mark of a "boom" when the rate of investment exceeded the rate of saving; when people invested in shares with money which they had not got, hoping that the shares would improve in value. There was a slump in the market when people with money showed reluctance to invest it. The policy of the Government ought to be such as would keep the balance level. To-day local governments were responsible either directly or indirectly for a very large part of the new capital investments of

the country, and therefore they had the power of affecting the balance.

The Government ought to operate in contradiction to what the public were doing. If in a period of depression people were reluctant to invest, that was the time when the Government ought to pursue an expansionist policy with regard to capital investment, and when it had done that sufficiently to cause the price level to rise it could withdraw. Similarly, in a period of "boom" it should restrict its capital investment to a minimum. But, of course, governments, being human, were affected by exactly the same kind of sentiments as their fellow countrymen, and in a period of "boom" the Government spent vast sums of money on capital investment—building houses which cost thousands of pounds and which no people could afford to live in. On the other hand, during a depression they said, "We must tighten our belts," and they refused to invest on capital account at all. Government policy could be very effective if it were brought into play in relation to the economic needs of the time.

It was a very difficult problem, but he did not think it was insoluble. If the structure of an economic council were set up in which those questions were discussed between representatives of industry, Government and finance, he thought some progress would be made towards maintaining that important monetary balance which was essential if the system was to be kept in equilibrium. He did not think we could hope to run the capitalist system in its new form by the old machinery. The machinery of automatic adjustment he did not think could work, or would be allowed to work. The alternative of a violent alteration of it into a system of State Capitalism on the Russian plan would, it seemed to him, be equally disastrous. It was necessary, somehow or other, to evolve a technique by which we could get some of the advantages without the disadvantages and preserve all the elements of competition and individualism where they were helpful, but at the same time we must get the advantages of centrally directed and planned organisation. That technique, he thought, could best be developed, first, by industrial organisation on the basis, not of bureaucratic government, but industrial self-government; secondly, by the creation of an organ of government or of consultation which would bring industry, banking and government into much closer relationship than they were to-day; and thirdly, by the pursuit of a policy of internal expansion at the right time, and the use of the monetary weapon to keep the rate of savings and the rate of investment level so far as it was possible to do so. If those things were done he thought there was a chance of returning to equilibrium and maintaining it.

We should also realise that we must not be enslaved by our own successes. In a period of a rapidly expanding economy savings were obviously desirable almost to the greatest possible extent, because there was always a market in which they could be rapidly invested. It must be realised, however, that their only economic purpose was to supply the fresh capital requirements. There might be a time when the nation was definitely over-saving and some central body such as he had described should be studying that question. Over-saving was very easily dealt with by the increased production and consumption of goods. It could also be dealt with by leisure and the increased use of leisure.

He did not think it would be possible to deny that, on the whole, in spite of mistakes and disasters, the mass of the people had benefited from the industrial revolution. They had benefited in some respects as to their status, they had not benefited in every respect as to their general

conditions—certainly in the earlier stages—but clearly they had benefited as a whole, and he thought the system was capable of being organised without any very drastic or revolutionary change in it. It was capable of being directed to an immense increase in the distribution of wealth and well-being among the people at large. But what he was certain of—and here he must end as he had begun—was that public opinion, rightly or wrongly, would not tolerate too long the strange condition in which it would appear that the system in the hands of those who now controlled it was capable of production to almost any extent, and yet there was an unwillingness to organise the distribution of that vastly increased production.

Discussion.

Mr. ADAM MAITLAND, M.P., A.S.A.A., said he was glad to say a few words, but he would be sorry if he interposed unduly between members present and Mr. Macmillan in the questions they might like to ask. The Chairman had referred to Mr. Macmillan as a student; he also referred to him as a politician. Politicians in these days were not perhaps the most kindly thought of people, especially if the phrase was interpreted in the way politicians were usually thought of. Edmund Burke once said, "He was not a politician, and his other habits were good." But Mr. Macmillan was a politician in the best sense. In addition to being a student and a politician, Mr. Macmillan was very much a man of affairs, being a director of the Great Western Railway Company, of a very large publishing firm, and of other industrial works. He (Mr. Maitland) simply passed on that information for the purpose of giving weight to the opinions which Mr. Macmillan had expressed that night. He was also glad to say that in the House of Commons, Mr. Macmillan was looked upon as a member who could always be relied upon for courageous and thoughtful contributions to the debates. There was nothing like courage and independence, and it might be that in a strictly political assembly some of the views which had been expressed that night by Mr. Macmillan would not be acceptable to those people who were described as "Die-hards." But that did not matter. He believed that Mr. Macmillan, in his general statement as to the need for new life and vigour in the consideration of our industrial and economic affairs, was absolutely right, and he was satisfied that the Lecturer to whom they had listened that evening would play an important part and make notable contributions in the settlement of the problem which faced them to-day. He had found much in what Mr. Macmillan had said of a thought-provoking character, but he could only touch lightly on one or two points that had particularly impressed him. The first point was this: that they were not attending the winding-up meeting of Great Britain that night. Accountants, of course, as the Chairman had said, rejoiced in windings-up; he hoped they rejoiced still more in reconstructions, because in a reconstruction they had the benefit of a continuing business. If he gathered the impressions of his audience rightly that evening they were very interested in the suggestions put before them, because they looked forward to this country carrying on business on prosperous lines. He quite agreed with Mr. Macmillan in his criticism with regard to the problem of productive power being solved. Of course, it was not solved, and it could not rightly be said to be solved. Every person in that room must have knowledge of instances where to-day the cost of production, including wages and other charges, was not recompensed by the price at which manufacturers could sell their goods, and so long as that state of affairs continued it could never be held that the problem of productive power had been settled. In his description of the evils of economic nationalism, they could see that, as far as this country was concerned, it was Great Britain which would suffer most if the spirit of economic nationalism which had pervaded every country of recent years was continued for any length of time. In a period of prosperity we could afford to accept and take for granted things which had come to us as legacies from those

who preceded us, but in an age when grave troubles were prevalent, when the conditions were entirely different, we could not accept that same happy-go-lucky philosophy. He thought that in all these matters the first consideration should be whether it was in the interests of the nation that certain things in industry should or should not be done. It was well worth while considering whether it was in the interests of the nation that there should be, as Mr. Macmillan suggested was necessary, planning by central organisations built up on the lines he indicated, and whether that would be in the best political, financial and industrial interests. One of the things which struck him when Mr. Macmillan was speaking of the financial side was whether industry had not been sacrificed too much to the interests of property. Personally he thought the time might come, perhaps sooner than they imagined, when it would be seriously asked by the Government of the day whether the nation could continue to carry the great dead weight of their national debt charges, which was a very vital matter to industry; also, having regard to the extent to which mechanisation had already forced its way into industrial life, and as the Government of the day were responsible for protecting, as best they could, the standard of life of the people, whether something was not needed in regard to the more just and scientific application of further inventions. When a new invention began to operate, more often than not a certain number of men were immediately dismissed. The first thought that came into one's mind was this—that the basis on which a new machine was introduced in industry ought to be such as would make it produce at least the amount of wages which had been payable to the men displaced. He would dwell for a moment on the kind of thing he had in mind. When Mr. Macmillan spoke about poverty in the midst of plenty, it struck him in its psychological aspect. We were a law-abiding people, and however revolutionary we might be, we could thank God for a law-abiding people who so cheerfully took on their shoulders any burdens which they believed to be necessary in the interests of the State. But we must not trade upon that nor take the slightest advantage of it. He quite agreed with what Mr. Macmillan said, that any system, whatever it was, would break down if there was a belief in the minds of the general masses of the people that that system was being conducted or controlled in a way which was to the disadvantage of the vast mass of people in the country. So to-day he thought we were driven to the conclusion that we must take new views on these matters. We should be prepared, if necessary, to abandon all preconceived party political views. He would not like the industries of this country to be controlled through Whitehall. He thought that would be a misfortune. Mr. Macmillan referred to the agricultural schemes. He (Mr. Maitland) welcomed them. But he would ask his audience to remember that very largely the schemes with regard to agriculture were in the nature of experiments. Some of them might be good and some bad, but they should not let the fact that some of the schemes might be bad take their minds from the idea that well-planned agriculture was beneficial. He believed, too, that we had to get a new conception of the planning of our industrial life and of industrial consumption. He would conclude by saying that in his opinion the members of the accountancy profession could play a very important part in advancing and developing schemes which helped towards a progressive expansion of our industry on proper and thoughtful lines and on lines which would redound to the interests of the country as a whole. He had great pleasure in paying his personal tribute to Mr. Macmillan, and he was sure they had all enjoyed the lecture, whether they accepted or not all the suggestions he had made.

Sir THOMAS KEENS, F.S.A.A., said he had heard nearly the whole of Mr. Macmillan's remarks that evening and he relied on the summary which had been issued for the remainder. He wished to express his agreement with a great deal of it. More surprising still, having regard to the general conditions, was it to hear an emphatic agreement by Mr. Adam Maitland. In fact, he (the speaker)

found himself so much in agreement with both of them that he wondered why they had ever differed, and they had differed very considerably. That was the real point. The disease had been very skilfully and accurately diagnosed by Mr. Macmillan. There was not the slightest doubt—and it was probably worse in America—that an enormous number of people had been put out of employment by the superior efficiency of the machine causing production to get in advance of the power of consumption. That was something of which they had to take notice. No Minister ever spoke to-day without dealing with that phase in some way or other. The problem in this country was that, in spite of anything and everything which was done to increase the number of persons at work, the unemployment figures were going down extremely slowly, and it appeared as if we had arrived at the hard core of over a couple of million people being without employment. The maintenance of those people was, of course, a burden on industry, because, as Mr. Macmillan very properly said, they could not contemplate a system by which those people were left to starve. When he was in America as a representative of the Society of Incorporated Accountants in 1920, he was met by many Americans, who spoke on these lines: "Poor old dole-fed England, going to the dogs; ceasing to be a first-class nation. When are you going to buck up and rid yourselves of all this mess with which you have surrounded yourselves?" He began to feel very discouraged about it until he met some of the intelligentsia, including some of the leaders of their own profession, who told him, "We are heading for the biggest smash that the world has ever seen, and we have made no provision for it whatever. The misery that we shall have to go through has never had its counterpart in the world. Ultimately we shall follow you in everything that you have done—only, as in everything else political—we shall be 25 years later." He had to go to America again two years later and then he found a very different atmosphere. He had conversations with many men occupying public positions who said: "Do you mind explaining to us the basis of your social system and social legislation, and particularly how unemployment insurance works? We have got to deal with it in some way or other, and the only thing we are afraid of is that it may be made an engine of corruption by one or other of the political parties and that the money put up by the State for the purpose may never get to the beneficiaries. When you in England pass a law it is administered, and if people are entitled to money they get it." Leaving that out of account altogether, they had in this country made provision for the derelicts and for the wounded by the way. We had done it extremely well on the whole, and if anybody was inclined to grumble he would say that unemployment insurance saved us from revolution after the War. It was therefore well worth the money that it cost. He wished now to come to the practical side. Mr. Macmillan's remedy was an Industrial Reconstruction Bill, by which industry would be self-governing, through a number of bodies set up by the respective trades and presumably federated in a central council. It seemed to him uncommonly like a certain Yellow Book issued by one political party some few years ago. He had had experience in the working of a code under which a majority of 80 per cent. in favour of certain bye-laws had had those bye-laws confirmed by Parliament, so that they became to all intents and purposes the law. Unfortunately that was a German association, which existed up to the War. He was bound to confess that under that code extraordinary results had been achieved and order secured in the trade in a way that did not seem to be possible when they started. But the difficulty, as Mr. Macmillan had said, was this—and he (the speaker), after 40 years' experience, could confirm it—the man who stood out for personal advantage, the man who stood out because he conscientiously disagreed, and the man who stood out because he would not agree with his fellows under any consideration whatever. Now, would Mr. Macmillan tell him this: Having organised all the industry, having got the organisation, what was he going to do with it? That seemed to be the most material thing. He would also like to ask him if his Industrial Reconstruction Bill had

ever got so far as a print, in order that they might study the clauses and see how they applied. He remembered Mr. J. M. Keynes's criticism of President Wilson at Versailles. He said he could have preached the most eloquent sermon on the League of Nations and delivered the most eloquent prayer about it, but he could not put down a clause to bring it into practical existence. Now, let them see whether they could not get down to something in order to specify definitely how to carry this into effect, because he agreed entirely with the diagnosis of Mr. Macmillan. He agreed entirely with the idea. Were they to take one industry at a time and make a success of it and then apply it to other industries? The other extraordinary thing which Mr. Macmillan said had got to be done was to bring into equilibrium investments and savings, so that they could be kept level. He had heard a good deal about how the bankers should operate and how they could check "booms" and alleviate slumps, but he had never yet been able to see how it was going to work or be made practicable. If it were possible it would be one of the best things that could be done. He had read most of Mr. Macmillan's writings, and he trusted he would continue to give the nation the benefit of his ability.

Mr. H. E. COLESWORTHY, F.S.A.A., said it was very difficult for him to join in the discussion adequately after the excellent comments made by Mr. Maitland and Sir Thomas Keens. Although he found himself unable at the moment to subscribe entirely to the remedies Mr. Macmillan had put forward, he did find that, to a large extent, they provided a solution to several sides of the problem of scarcity in plenty. He was glad that Mr. Macmillan's statement that he was opposed, in his scheme, to any control from Whitehall had found a new echo in Mr. Maitland's observations. He was sure it was one that they would all endorse. A scheme of this nature was bound to fail unless it was coupled with very personal intervention and direction, of a type which could not possibly be given by any Government official. As accountants, they knew that it was only by making themselves personally acquainted with the problems they had in hand and becoming, as it were, part of the organisation, that they could hope to succeed whenever they were called in to reorganise businesses. Reference had been made to the necessity for dealing with the weak dogs which had gone to the wall, in any attempt to control production efficiently and on a national basis. Unfortunately, the "weak dogs" were a long time in getting to the wall; they generally took an unconscionable time a-dying, and it was sometimes a great pity that they did not pass out more rapidly. He did not know if it was the fault of the banks, but one was tempted to ask whether sometimes the banks would not serve industry better by pulling the weak ones in a little more quickly than they did and so providing at least a reasonable chance of salving what remained whilst there was still time. It had to be remembered, however, that the weakness was often in the management and not necessarily in the business, so that occasionally what seemed a weak business might go to the wall when, in fact, it was quite a sound concern. The trouble in these cases, as a rule, was that there was no finance available to carry the reorganisation through. That was especially the case when nothing but past losses could be shown and nothing tangible on which to base the conviction that for a period it was right and proper to finance a deficit. He had had the advantage of discussing this matter with his friend Mr. Wade, and he put it to him that if there was some way of mobilising savings to finance losses—a thing they could not expect the banks to do—it would go a long way towards solving these problems. In the mobilisation of savings he had played with the idea that if some central body or trust could be formed—a trust which would not necessarily work on the basis that only concerns with a fine past record of profits should be assisted—it would fill a very pressing gap. He could not suggest the source from which the funds would come, but he sometimes felt that, if only a small portion of the sums which were donated by public spirited members of the nation for semi-charitable objects could be devoted to this trust or fund,

it would do far more national good than it would if expended on parks, gateways, and the like. In conclusion, he wished to add his own personal congratulations to the Lecturer upon his most interesting paper; he would look forward very much to reading it in print.

Mr. MACMILLAN said he had occupied much more time than he had intended to do, but he wished to thank those present very much indeed for having listened to him so patiently. He felt he owed them an apology for the somewhat incoherent way in which he had delivered his address. He had been suffering from rather too much work. There were two points he would just like to mention. In reply to Sir Thomas Keens, the first step took the form of an Enabling Bill. In the last few weeks an organisation had come into being, although it had not yet been launched—he referred to the Industrial Organisation League. A few people had come together, had held a certain number of meetings, and had drafted a Bill, and they hoped to go on a deputation to the Government to put the case before them. The people who were acting with him were Sir Robert Horne, Lord Melchett, Sir Harry McGowan, and others. They had been consulting a large number of industrialists, and they had a draft Bill, which would be for the Government's consideration, in which all the difficult and complicated points were dealt with. They proposed to go forward with this on a practical basis. Another organisation, the P.E.P., had also been working in the same direction, and he understood that a draft Bill had been prepared on similar lines. A point raised by Sir Thomas Keens was as to whether it would be wiser to operate by one general permissive Enabling Act or by each specific industry by means of *ad hoc* legislation. He thought that parliamentary business made it impossible to carry more than one Bill of that kind in each session. What, in effect, would happen was that only those industries that carried a good deal of weight and were large employers of labour would ever get their case before Parliament, whereas minor industries might have good schemes which they wanted to enforce but would never get any say at all. Unless they had general machinery, they would be restricted to those who had sufficient power to make themselves felt in Parliament. He had been very much interested in what Mr. Colesworthy said in the second part of his speech. It was quite true that the weak businesses took an unconscionable time in dying, and the trouble was that they had a way of being resuscitated with almost embarrassing rapidity. He had come across cases where, perhaps, there would be a scheme of a levy of so much for the purpose of buying necessary plant. During bad times people would come into the scheme, but as soon as things improved and prices began to rise, everybody who had not paid the levy and who had not taken part in the sacrifices began to set up new plant and became dangerous competitors of the people by whose sacrifices the industry had been revived from complete chaos. With regard to the second important point, was there any way by which they could bridge this gap?—Mr. Colesworthy had put his finger on an important thing. A large amount of the saving to-day was not by the rich but by the people generally, and that meant that a tremendous proportion of it was saving for security. Consequently a large proportion of it had to be directed into more or less trustee securities, and it was very difficult to invest trustee savings in a way to bring an adequate return. This gap was a tremendously important one, because it was bound to grow as a larger and larger amount of savings were in trustee security form. The directions in which they could be applied were limited unless supplied with the Government backing of the interest; so that the problem of getting finance for the smaller business which was not in a position, because of the bad times, to go to the public and could not expect the joint stock banks to carry it on for a long period, was a very serious problem. He thought Mr. Colesworthy had made a very important point, the development of which, if it could be developed, would do a great deal towards solving the problem of finding a way of marrying the financial resources to the needs of new investment.

Mr. E. CASSLETON ELLIOTT, F.S.A.A., said he was sure they would all wish to accord to Mr. Macmillan their grateful thanks for his lecture. There was not the slightest doubt that reconstruction was a fascinating subject. It had been in the past, and they hoped it would be in the future, a very profitable one for the accountancy profession. It was a subject in which they were all interested, because they were interested in industry, trade, and manufacture of all kinds. Mr. Macmillan had put various thoughts and ideas before them which would have to be explored very carefully indeed by the accountancy profession. The lawyers, no doubt, would have a hand in it when they drafted the various Bills, but for the practical working out of any schemes such as had been suggested by Mr. Macmillan, the accountants would have to undertake the major part of the work. It was therefore only right that Mr. Macmillan should address an audience of accountants. The lecture must have involved considerable work and careful thought, because the subject was a highly technical one. They might not all agree with the Lecturer, and quite frankly, so far as he was concerned, he did not agree with him entirely; but none the less he was grateful to Mr. Macmillan. There was not the slightest doubt that things in the world were different to-day from what they were only a few years ago, and it was necessary sometimes to take different views of things. Although some of them had been in the past, and still were, strong individualists, as all the speakers had emphasised, they must consider the needs of the nation as a whole rather than their own individual wishes. He moved a cordial vote of thanks to the Lecturer, which was carried unanimously.

Obituary.

GEORGE STANHOPE PITT.

It was something of a shock to his many friends to hear that Mr. George Stanhope Pitt died on Saturday, November 17th, although it was known he had been in indifferent health for some time.

Mr. George Stanhope Pitt passed the Society's Final examination in June, 1892, and was elected to membership in the same year, when he commenced public practice as a partner in the firm of Messrs. Bolton, Pitt & Breden. Mr. Pitt almost immediately devoted himself to the work of the Society and was elected to the Council in June, 1901, of which he remained a member until March, 1934, when unfortunately he had to retire owing to failing health. He was an accountancy examiner in the Society's Intermediate and Final examinations for a number of years, and held the office of President of the Society during the years 1923 to 1926.

During his Presidency he was largely instrumental in formulating the policy of the Council which led to the acquisition of Incorporated Accountants' Hall. Mr. Pitt always regarded this as the most important work which he carried out for the Society. Shortly before the conclusion of his term of office he paid a visit to South Africa in connection with the Society's affairs in the Union.

Mr. Pitt was held in high esteem by his colleagues on the Council, who valued his experience and judgment. Upon his resignation from the Council a resolution was adopted expressing the Council's appreciation of his valuable services to the Society.

Mr. Pitt retired from partnership in his firm in 1932 and was succeeded by his son, Mr. George Stanhope Pitt, Junr. To Mrs. Pitt and the members of the family we tender our sympathy in the loss they have sustained.

Among those present at the funeral were Mr. E. Cassleton Elliott (President of the Society of Incorporated Accountants), and Mr. A. A. Garrett (Secretary).

FORTHCOMING EVENTS.

- 1934.
- Dec. 1st. Manchester and District Society. At Manchester. Annual Dance for Members and Students.
- Dec. 3rd. Belfast District Society. At Belfast, at 7 p.m. Annual Dinner.
Newcastle-upon-Tyne District Society. At Middlesbrough. Debate: "That the Present Examination System is Unfair."
West of England District Society. At Bristol, at 6 p.m. Lecture by Mr. O. Griffiths, M.A., LL.B., on "Arbitrations and Awards."
- Dec. 4th. Devon and Cornwall District Society. At Plymouth, at 6.30 p.m. Lecture by Mr. C. G. Strick, Inspector of Taxes, on "Income Tax and the Accountant."
Newcastle-upon-Tyne District Society. At Newcastle. Lecture by Mr. W. H. Stalker, A.S.A.A., on "Practical Hints for Accountancy Students."
West of England District Society. At Gloucester, at 5.45 p.m. Lecture by Mr. O. Griffiths, M.A., LL.B., on "Arbitrations and Awards."
Yorkshire District Society. At Leeds, at 6.30 p.m. Lecture by Mr. Victor Walton, F.C.A., on "Back Tax Cases."
- Dec. 5th. South Wales and Monmouthshire District Society. At Newport. Lecture by Mr. A. E. Pugh, F.S.A.A., F.R.Econ.S., on "Economic Recovery Problems facing South Wales."
- Dec. 6th. Birmingham District Society. At Birmingham. Lecture by Mr. A. L. Boddington on "Criticism of Balance Sheets."
Burnley and District Students' Section. At Burnley, at 7.30. Lecture by Mr. J. Campbell, F.S.A.A., on "Review of Municipal Activities in their Relation to Finance."
- Dec. 7th. London and District Society. At Incorporated Accountants' Hall, at 8.30 p.m. Reception and Dance.
Manchester and District Society (Students). At Manchester, at 6.15 p.m. Lecture by Mr. W. Norman Bubb, F.S.A.A., on "Auditors and Their Responsibilities."
Sheffield District Society. At Sheffield. Lecture by Mr. W. F. Spalding on "Foreign Exchange."
Yorkshire District Society. At the Great Northern Station Hotel, Leeds, at 6.45 p.m. Annual Dinner.
- Dec. 10th. Leicester District Society. At Northampton, at 6 p.m. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "The Law of Contract."
- Dec. 11th. Dublin Students' Society. At Dublin, at 6 p.m. Lecture by Mr. J. G. Dowling, A.S.A.A., on "Executorship Accounts."
Leicester District Society. At Leicester, at 6 p.m. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "The Law of Contract."
Liverpool District Society. At Liverpool, at 6.15 p.m. Lecture by Mr. Hugh Lewis, J.P., on "The American Experiment."
North Lancashire District Society. At Preston, at 7.30 p.m. Lecture by Mr. T. L. Poynton, Borough Treasurer, Blackpool,

- on "Mechanised Accounting: Its Justification and Its Influence on Audit Technique."
North Staffordshire District Society. At Hanley, at 6.30 p.m. Lecture by Mr. P. T. N. Forester on "How to Read Prospectuses."
Swansea and South-West Wales District Society. At Swansea. Lecture by Mr. Percy H. Walker, F.S.A.A., on "The Douglas Credit System through an Accountant's Eyes."
- Dec. 12th. Bradford District Society. At Bradford. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "Accounting Provisions of the Companies Act, 1929."
Liverpool District Society. At Chester, at 6.45 p.m. Lecture by Mr. Bertram B. Benas, B.A., LL.B., Barrister-at-Law, on "Law in Daily Life."
Newcastle-upon-Tyne District Society. At Newcastle. Mock Income Tax Appeal.
- Dec. 14th. Belfast District Society (Students). At Belfast, at 7.30 p.m. Lecture by Mr. W. Keith, A.S.A.A., on "Winding-up of Companies."
Birmingham District Society. At the Queen's Hotel, Birmingham. Annual Dinner.
East Anglian District Society. At Norwich. Mock Creditors' Meeting.
Hull District Society Students' Section. At Hull, at 7.15 p.m. Lecture by Mr. V. H. M. Bayley, F.C.A., A.S.A.A., on "Income Tax Law and Practice."
Manchester and District Society (Students). At Manchester, at 6.15 p.m. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "Receiver-ships."

Incorporated Accountants' Students' Society of London and District.

Reception and Dance.

A special feature in the programme of the Incorporated Accountants' Students' Society of London and District was the reception and dance held at Incorporated Accountants' Hall, on November 16th.

About 170 members and guests were present. They were received on arrival by the President, Sir Stephen Killik, F.S.A.A., the Lord Mayor of London, and Mrs. Greenland, the Lady Mayoress.

The company included Mr. G. Roby Pridie, F.S.A.A. (Vice-President), Mr. S. R. Greenland, Sir Thomas Keens, F.S.A.A., Dr. W. H. Coates and Mrs. Coates, Mr. and Mrs. Jewson, Mr. and Mrs. Dudley Cocquerel, Mr. W. Norman Bubb, F.S.A.A., Mr. W. Douglas Menzies, F.S.A.A., and Mrs. Menzies, Mr. H. E. Colesworthy, F.S.A.A., and Mrs. Colesworthy, Mr. A. A. Garrett, M.B.E., and Mrs. Garrett, Mr. J. C. Fay, A.C.I.S. (Secretary), and Mrs. Fay. Mr. Fred R. Witty, A.S.A.A. acted as M.C. throughout the evening.

The reception commenced at 7.15 p.m., and dancing continued until midnight, when the company dispersed with obvious reluctance.

Personal.

Alderman John Potter, M.P., F.S.A.A., Blackpool, has been elected, for the seventh year in succession, the Chairman of the Finance Committee of the Corporation.

Incorporated Accountants' Newcastle-upon-Tyne and District Society.

ANNUAL DINNER.

The annual dinner of the Incorporated Accountants' Newcastle-upon-Tyne and District Society was held at the Royal Station Hotel, Newcastle-upon-Tyne, on November 16th.

Mr. M. H. GROVES, F.S.A.A. (President of the District Society), presided over a company of 200 members, their ladies, and guests. Among those present were the Lord Mayor of Newcastle (Councillor R. S. Dalglish, J.P.), Mr. E. Cassleton Elliott (President of the Society of Incorporated Accountants and Auditors), the Sheriff of Newcastle (Councillor Gilbert Oliver, J.P.), the Mayor and Mayoress of Gateshead (Councillor and Mrs. T. Armstrong), the Mayor and Mayoress of Sunderland (Councillor and Mrs. E. W. Ditchburn), the Mayor and Mayoress of West Hartlepool (Councillor and Mrs. H. L. Hogg), the Mayor and Mayoress of Hartlepool (Councillor and Mrs. J. B. Graham), Mr. Groves, Lady Mark, Dr. J. W. Leech (M.P. for Newcastle West Division), Mr. T. Magnay (M.P. for Gateshead) and Mrs. Magnay, Sir Walter and Lady Raine (Sunderland), His Honour Judge Thesiger and Mrs. Thesiger, Mr. William Rose (President of the Northern Institute of Chartered Accountants), Mr. T. Beevers (Member of the Council of the Institute of Bankers), Mr. J. W. Robertson (President of the North-East Coast Association of Chartered Secretaries) and Mrs. Robertson, Mr. E. T. Nicholson (President of Sunderland Chamber of Commerce), Mr. G. F. S. Ritson (Secretary of Newcastle and Gateshead Chamber of Commerce), Mr. A. D. Minton-Senhouse (Registrar of Newcastle County Court), Mr. Norman Harper (Barrister-at-law) and Mrs. Harper, Councillor F. Wilson, J.P. (President of the Corporation of Accountants), and Mrs. Wilson, Mr. R. Riddell (President of the Northern Counties District Society, London Association of Certified Accountants) and Mrs. Riddell, Mr. F. C. Wells (Official Receiver) and Mrs. Wells, Mr. J. G. Dawson (Chairman of Newcastle and District Society, Incorporated Secretaries' Association) and Mrs. Dawson, Mr. Stephen Crouch (Hon. District Secretary, Incorporated Secretaries' Association) and Mrs. Crouch, Mr. A. E. Lacey and Mr. M. L. Peto (Inspectors of Taxes, Newcastle), Mr. W. P. Sawyer (Inspector of Taxes, Sunderland), Mr. Ernest E. Edwards (Parliamentary Secretary of the Society), and the following visitors from Incorporated Accountants' District Societies: Mr. Frank Harrison (Yorkshire President) and Mrs. Harrison, Mr. G. A. Ridgway (Hull District President) and Miss P. E. M. Ridgway, B.A., Mr. W. A. Nixon (Manchester President) and Mrs. Nixon, Mr. Halvor Piggott (Joint Hon. Secretary, Manchester Society) and Mrs. Piggott, Mr. C. H. Dennison (Cumberland Society), Mr. R. Simpson Duthie (Hon. Secretary, Cumberland Society), Mr. T. M. Rhodes (Hon. Secretary, Bradford District) and Mrs. Rhodes, and Mr. A. E. Stringer (Past-President, Bradford District) and Mrs. Stringer.

The loyal toast having been honoured,

The CHAIRMAN gave "The City and County of Newcastle-upon-Tyne." In doing so he extended a welcome to all, both members and guests, remarking that it was a great pleasure to have such a distinguished gathering. Continuing, Mr. Groves said he was not a native of Newcastle, but he belonged to the North-East Coast, which looked

on Newcastle as its capital. He alluded to the "More Work" campaign started by the late Lord Mayor of Newcastle, and said he was glad to learn that their guest, the present Lord Mayor, was continuing the effort. He trusted that the campaign would produce results, as, he observed, the prosperity of Newcastle was the prosperity of the North. In conclusion, Mr. Groves said they were especially pleased to have Councillor Dalglish with them as Lord Mayor, for they remembered his very interesting speech to them some six or seven years ago, when he was Sheriff of Newcastle.

The LORD MAYOR replied, dealing at some length with local questions, and particularly the area's "More Work" campaign.

His colleague the SHERIFF also responded to the toast.

Alderman Sir WALTER RAINE, a past-President of the Associated British Chambers of Commerce, and a former M.P. for Sunderland, in submitting the toast of "The Society of Incorporated Accountants and Auditors," said he noticed that the Society was founded in 1885, and that accordingly it would celebrate its jubilee next year. He was pleased to learn that the Society was a very thriving one, with over 6,000 members, carrying on business in every country in the world. The Society had some very distinguished members, the present Lord Mayor of London being one. The Newcastle District extended from Berwick to the Tees, and had over 400 members, so that it must be a very active branch. The Society had a great duty to the public, and Sir Walter thought the Society was carrying out this duty by the very high standard of qualification which it set for accountants desirous of attaining its membership. As a result, an accountant connected with the Society was recognised by the public as a reliable person. Such confidence was especially valuable when one came to examine company prospectuses and balance-sheets, for if one found that the accountants were members of a Society like theirs, one knew that the figures given could be relied upon. Sir Walter congratulated the Society on the important premises it had secured for headquarters on the Victoria Embankment, London, and he closed by wishing the Society continued success.

Mr. E. CASSELTON ELLIOTT, President of the Society of Incorporated Accountants, responded. He said they were deeply indebted to Sir Walter Raine for proposing the toast. It was a great Society, and he was proud to be its President. As Sir Walter had said, it now had well over 6,000 members, and the total was growing every half-year. The Society took great care, however, to admit to membership only persons who were well qualified to be so admitted both by practice and by examination. The examinations were not easy; on the contrary, they were extremely difficult. The range of accountancy to-day was so wide and covered so many subjects that the course of study had to be very extensive. Moreover, when a member had qualified, the Society considered that he must continue his education, and for that purpose they had District Societies, of which that at Newcastle-upon-Tyne was a very capable example. These District Societies continued the education of the members by holding lectures from time to time. Here Mr. Cassleton Elliott urged all the young accountants present to attend the District Society's lectures, pointing out the valuable knowledge to be gained from them. Mr. Elliott went on to refer to the notable experiment undertaken by the Society this year in arranging for a Conference at Cambridge expressly for the younger members—those who had qualified during the last ten years. The Society had an overwhelming number of applications from such

members, and the Course was a great success. Shortly after the commencement of the Conference they decided, rather than have discussions in the hall, to have discussions in small groups, each with a leader; and this arrangement proved most helpful, for it was found that the junior members were not afraid to ask questions and express their views generally in such groups. The junior members greatly benefited, with the result that the Society was being pressed for similar Conferences every year. Whether the Council would agree to that the President was unable to say, but he thought it would be seen that they were not forgetful of the necessity of continuing the education of the members after they had qualified by passing the Society's examinations. He was delighted to learn that a healthy spirit prevailed in the district despite the depression. He hated to think of any area being described as a derelict or distressed area. We were a nation, and the unemployed in that area were just as much their responsibility in the South as they were the responsibility of that district. He said that deliberately, because he believed that the manner in which public assistance charges were levied was entirely wrong. Mr. Elliott remarked upon the efforts of the North-East to attract fresh industries, and he assured his hearers that they could call upon the Society's members at any time to assist in the examination of any projects put before them. They all wanted to help in the great problem of unemployment. One of the troubles in starting new industries was the matter of overhead expenses, and one of the chief overhead expenses was rates, which were swollen by enormous charges in respect of public assistance. He was definitely of the opinion that the relief of unemployment should be a responsibility spread over the nation as a whole, so that when it came to competition in industries the districts might start level. He pointed out that certain hard-hit areas were at a decided disadvantage in this respect at present. Finally the President asked his hearers not to think of accountants too much as professional men anxious for fees. They had to make their living, of course, but they were trying at all times to serve their generation. Three accountants were already serving on Newcastle City Council, and he was sure that, though at times they might find the work arduous, they were sincere in their civic labours. Accountants were only too glad to be of service to the country. (Applause.)

Mr. FRED W. SMITH (Vice-President of the District Society), proposing "Our Guests," said they appreciated the honour of having the President of the Parent Society and Mr. Edwards, their Parliamentary Secretary, with them. They welcomed, too, the representatives of Parliamentary and municipal life; of the legal profession; of Government departments, and of kindred professional bodies.

The two Members of Parliament present—Mr. MAGNAY and Dr. LEECH—replied to the toast. Mr. Magnay, himself an accountant, declared that the profession had a great responsibility, for he believed it was true that industry nowadays was managed by the trinity of the financier, the chemist, and the works accountant. Industry had to obey these three, and of them he would not like to have to say who was the greatest.

Mr. HALVOR PIGGOTT (Hon. Secretary, Manchester District Society) gave an extra toast, which was drunk with enthusiasm, viz: the "Health of the Chairman." Mr. Piggott was a particularly happy choice for this toast, for, as he pointed out in his speech, he and Mr. Groves were old friends.

ACTION AGAINST ACCOUNTANTS FOR ALLEGED NEGLIGENCE.

No Dereliction of Duty.

The Court of Appeal composed of the Master of the Rolls and Lords Justices Romer and Maugham, last month concluded the hearing of the appeals of Messrs. Robinson Coulson, Kirkby and Co., Chartered Accountants, of Scarborough, and Mr. Thomas Whitehead, from the judgment of Mr. Justice Crossman in the action brought against them by the Scarborough Harbour Commissioners.

In the action declarations were claimed that the appellants ought to make good losses which the Commissioners incurred by reason of debts owing by J. Sellers and Co., Limited, the company controlled by Mr. Whitehead. Robinson and Co. were the Commissioners' auditors, and Mr. Whitehead was the Commissioners' Chairman at the material times.

After hearing arguments, the Master of the Rolls gave judgment. The Judge in the Court below, he said, found that the passing of the balance sheet showing the debt of the Sellers company as a good debt amounted to a breach of duty on the part of Mr. Whitehead, and he made a declaration and granted an enquiry as to the losses the Commissioners had sustained. With regard to the firm, he held that they failed to perform the duty that lay upon them as auditors and were negligent in not reporting to the Finance Committee in 1929, 1930, and 1931, that the Sellers company were in arrear for rent and gas, and directed an enquiry. With regard to the allegation that Mr. Whitehead abused the confidence and trust imposed in him by his fellow Commissioners, his Lordship said he considered that Mr. Whitehead was guilty of a grave dereliction of duty. But that was quite apart from the charge of fraud against him, which had been withdrawn absolutely and unconditionally. The result of the charge which had been made out was that Mr. Whitehead must be held liable for the £150 arrears of fish dues owing by Sellers and Co., but inasmuch as there had been a charge of fraud which had been withdrawn, there would be no costs on either side. Equally, as Mr. Whitehead came to the Court in the unhappy circumstances which had fallen on him, there would be no costs on either side of the appeal.

With regard to the case against Mr. Robinson, his Lordship said the duties of an auditor, as defined in the *City Equitable* case by Lord Justice Sargent, were verification and not detection. What were the duties of Mr. Robinson in this case? Was it to tell the Commissioners what debts they ought to sue for, or what debts they ought to forego? Was it for him to say what indulgences ought to be given, or what stringencies ought to be applied? He did not think that was the right test to apply to an auditor. They must take the circumstances broadly, and, having regard to the circumstances which prevailed in this case, he could not say that the Commissioners had established their charge against Mr. Robinson. He was therefore entitled to have judgment in his favour in the action with costs, and to succeed on this appeal also with costs.

Lord Justice Romer, concurring, said Mr. Robinson had not been guilty of any dereliction of duty. It was not his duty to call special attention to the debt of Sellers and Co. He came to the *bona fide* conclusion that the debt was a good one after he had made enquiries. The plaintiffs had failed to make out their case against him.

Lord Justice Maugham also concurring, added that it was no part of the duties of an auditor to give advice to

his principal as to how he should conduct his business. There was no evidence of any damages being sustained by the Commissioners by reason of the figure at which the debt due by Sellers stood in the Commissioners' books.

The judgment of Mr. Justice Crossman was reported in our issue of July last.

INCORPORATED ACCOUNTANTS' LODGE.

The Installation meeting of the Incorporated Accountants' Lodge was held at Freemasons' Hall, Great Queen Street, London, on October 23rd, when Bro. Frederick John Nash was installed in the Chair by his predecessor, Bro. A. V. Huson. A large gathering assembled to celebrate the first meeting of the Lodge at the new headquarters of Freemasonry, and amongst those present were Bro. R. J. Godson, P.A.G.St.B., Bro. M. J. Faulks, P.A.G.D.C., Bro. Richard A. Witty, P.G.St.B., Bro. F. E. Spendlove, P.Prov.St.B., Bros. A. E. Dowell, G. A. Raines, J. Sharland, A. S. Wagstaffe, W. H. Smith, A. E. Needham, E. C. Coleman, Neville Faulks, J. L. Thredgould, H. W. Heath, W. Lyall, A. C. Whitnell, J. R. Hyde, W. H. Payne, W. A. Pearman, F. E. Clements, M. W. Widdowson and J. C. Fay. Letters of regret were read from Bro. Sir James Martin, P.G.D., Bro. Sir Thomas Keens and Bro. A. A. Garrett, who were unable to be present.

Bro. F. J. Nash appointed his officers as follows: Bro. W. J. Crafter, S.W.; Bro. C. A. Holliday, J.W.; Bro. W. H. Payne, L.R., Treasurer; Bro. M. J. Faulks, P.A.G.D.C., Secretary; Bro. Richard A. Witty, P.G.St.B., D.C.; Bro. A. S. Darr, S.D.; Bro. C. A. Sales, J.D.; Bro. W. C. Chaffey, A.D.C.; Bro. H. J. Burgess, L.R., Almoner; Bro. Sir Thomas Keens, Assistant Secretary; Bro. A. R. Chart-Leigh, M.Sc., Organist; Bro. E. J. P. Garratt, I.G.; Bros. W. Holman, A. A. Garrett, F. C. Baker and E. Baldry, Stewards.

At the dinner in the evening the health of the Worshipful Master was proposed by Bro. A. V. Huson. He pointed out that Bro. Nash had served the Lodge in many offices and that he never missed an opportunity of promoting the interests of the Lodge and also of the Incorporated Accountants Lodge of Instruction, which met every Monday throughout the winter. Bro. Nash, he said, was initiated in the Lodge and it was a great pleasure to all the brethren to see him occupying the Chair. He was held in high estimation among his brethren and fellows and under his Mastership the Lodge was certain to prosper. The toast was received with great enthusiasm, and in responding Bro. Nash said that it would be his earnest endeavour to see that the Lodge lived up to the high traditions of the Society to which they were all proud to belong.

The toast of "The Officers of Grand Lodge" was responded to by Bro. R. J. Godson, and that of "The Installing Master" was proposed by Bro. Richard A. Witty.

The toast of "The Visiting Brethren" was given by Bro. C. A. Holliday and responded to by Bro. Dowell, Bro. Spendlove and Bro. Neville Faulks.

The Lodge will meet in future at Freemasons Hall on the fourth Tuesday in October (Installation), third Tuesday in December, fourth Tuesday in January and first Tuesday in March. The Secretary is Mr. M. J. Faulks, M.A., F.S.A.A., 8 and 9, Martin Lane, Cannon Street, London, E.C.4.

Accounting for Capital.

A LECTURE delivered at the Wandsworth Technical Institute by

Mr. P. D. LEAKE, F.C.A.

Mr. E. CASSLETON ELLIOTT, President of the Society of Incorporated Accountants and Auditors, occupied the chair.

Mr. LEAKE said: In considering a suitable subject for this evening, I could find no better than "Accounting for Capital." It is a title full of meaning. I have, on other occasions, suggested to students qualifying for membership of professional Institutes and Societies, and also to students at our Universities, that the subject of accounting science—the science of equity—will ultimately become one of the most important of the social sciences, and that it is well worthy of further study, and ripe for much further development. I need scarcely say, therefore, that I cordially welcomed the invitation to give a public lecture at the Wandsworth Technical Institute.

INDUSTRIAL CAPITAL.

It has been well said that one of the greatest needs of the world to-day is to get back to a sense of physical reality, and this is applicable over a wide range of subjects, not excepting the science of accounting. As students seeking professional or business qualification, it is important that you should understand clearly the meaning and the nature of industrial capital, which represents something like two-thirds of our national capital. Capital itself is too often thought of as money, or as equivalent to money, but that is altogether wrong. There is nothing in existence to represent capital except things which, to our senses, are tangible things; things which actually exist in all the many and various forms of useful and desirable materials and commodities, including gold and other metallic money. Thus the true answer to the question—What is capital? is: "Capital is all those existing material things which have been acquired and made useful by man's skill and effort." We must not think of capital as money, for, except to the extent of about one in one hundred, it is not money. Our habit of putting a money value on capital does not change its character, or alter the fact that it consists mainly not of money, but of other things which actually exist and are useful.

EXCHANGEABLE VALUES OTHER THAN CAPITAL.

All other exchangeable values consist of personal rights and claims of individuals which, however, are set off and cancelled by the obligations and the liabilities of other individuals. Personal rights and legal privileges represent assets of exchangeable value to some individuals and corresponding liabilities and limitations to others. These rights include national and local debts, as well as personal and other debts of all kinds, and for every debtor there is, of course, a cancelling creditor. They also include all such legal property as commercial goodwill, trademarks, patents and designs, copyrights, and the right to exercise monopolies, and they include leaseholds. All classes of property of this nature thus represent, in themselves, nothing tangible. They are legal rights to one set of individuals and legal obligations to another set of individuals. We will return to this subject again.

NATIONAL CAPITAL.

Real capital is tangible things in the forms of useful materials and commodities, such as lands in possession, houses, factories, mills and their contents, growing crops, live and dead stock, railways, shipping, mines, plant,

machinery, raw materials, manufactured goods, and metallic money. In the case of a nation, these things, wherever located, belonging to nationals and to the State and municipalities constitute national capital, assuming for the sake of simplicity, and without impairing the argument, that international debits and credits may be set off one against the other.

Leaving out of account, therefore, international debits and credits affecting both Governments and private individuals, real capital falls under three main heads, *i.e.* first, industrial and agricultural property; second, domestic property; and third, Government non-trading property; and these are approximately proportioned to each other as follows:—

About 65 per cent. is industrial and agricultural property, at home and abroad, consisting of lands, growing crops, railways, shipping, mines, works, the contents of factories and offices, plant and stocks, including municipal trading concerns.

About 25 per cent. is domestic property, at home and abroad, consisting of lands, dwelling houses, furniture, works of art, and wearing apparel.

About 9 per cent. is Government and municipal lands, and non-trading property, including dockyards, arsenals, public buildings, roads, bridges, sewers, &c.

About 1 per cent. is gold and silver coin and bullion.

100 per cent.

It is probable that the capital of other civilised nations is also commonly represented in much the same way, about two-thirds of it being industrial and agricultural capital. The science of accounting is particularly concerned with industrial and agricultural capital.

Having now found that real capital consists, not of money or of the exchangeable value of personal rights, but mainly of useful materials and commodities, we shall perceive that in accounting for capital we are really accounting for things as they actually exist; we will next proceed to consider the value of these things stated as an amount or quantity of money; and here we shall not be surprised to find that the amount will vary in volume with the character, or quality, of the money.

MONEY.

Legal tender money, in normal conditions, is coin or bullion containing a definite weight of some commonly exchangeable commodity—generally gold rather than silver—the getting of which involves the exercise of human ingenuity and efficient work; and both gold and silver are usually acceptable by weight as a medium of exchange throughout the world. The other kind of real money also gives the bearer title to a fixed weight of gold, although, in form, it consists of currency notes which can be safely issued in normal times, under the necessarily rigid rules of the gold standard, to an amount greater than the available gold backing, without deteriorating the accepted full gold character of the money. Such currency notes are mainly for internal use, but, to be real money, they must entitle the holders of the notes to the free delivery on demand of a declared and definite weight of gold equal to their face value.

Thus, the fundamental basis of real money, whether it be gold or silver, is that it gives the bearer acknowledged title to a fixed weight of a commodity in universal demand entailing work; consequently sound money obviously represents work of permanent value, and it offers a sort

of safe-deposit for storing real value. We are in danger of overlooking this essential characteristic of sound money. As a crude illustration, let us suppose that the getting of one ounce of gold requires work including management, wages, and capital appliances, equivalent, in all, to one week's average work of an average man; then, subject to the ups and downs of supply and demand, one ounce of pure gold—contained in approximately four and a quarter (£4 4s. 11½d.) of the old standard British sovereigns—will, for all time, naturally and equitably, exchange all over the world for that quantity of any other commodity or service which requires one week's average work of one average man. Real money being produced only by efficient work, the natural, and easily understandable, measure of its comparatively steady exchangeable value is, plainly, that it offers exchange of work for work of equal quantity and quality. It is difficult to see how, without sound money, the business of the world can be carried on except with great difficulty.

All the things representing real capital should normally be valued in sound money possessing full gold character. But whenever, in any country, a condition of currency inflation prevails, it means that the currency has less than full gold character, *i.e.* seven paper one pound notes instead of 4½ gold sovereigns may be needed to buy one ounce of pure gold, and consequently, the values of things representing real capital, and the prices of goods and services, quoted in that inflated paper currency will tend to rise high above the gold price level. The reason is that more of the inflated paper currency is regarded as being required to express the same real value; and thus the actual things representing real capital when valued in inflated currency will be stated at amounts greater than their values in sound money, which is money of full gold character. It is obvious, however, that, whatever the variable nature of the particular money may be, accountants can deal only with values as recorded in books of account.

ACCOUNTING FOR MATERIAL WASTING ASSETS.

We have now seen that capital is useful things, and not money, and that something like two-thirds (*i.e.* about 65 per cent.) of all real capital is in the form of industrial and agricultural property. Excluding land, which is not a wasting asset, this industrial and agricultural property itself consists mainly of what are called material wasting assets, such as:—

Buildings.

Plant and machinery.

Tools and utensils.

Furniture and fixtures.

Natural raw material located in mines.

Shaft sinking and mines development.

Plantations and growing crops.

All these material wasting assets inevitably waste or expire, either by wearing out, or becoming exhausted or obsolete, while applied to the purpose of profit-seeking, and we come now to consider the proper treatment of their cost in accounting for capital, and the co-related measurement of the annual profits and losses of industry. The great majority of profit-seeking undertakings have to lay out capital in some forms of material wasting assets to enable them to earn their gross revenue, whether arising from the winning and sale of coal or minerals as in the case of a colliery or mine, from traffic receipts as in the case of a railway company, from the supply of electrical energy, gas, water, or other public service, or from the manufacture and sale of goods. It is still customary to refer to the capital outlay represented by things like buildings, plant, machinery, natural raw material in mines, and so on, as being fixed or permanent

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capital. But a little consideration will show that all these things, far from being fixed or permanent, are nothing more enduring and substantial than material things acquired for the purpose of enabling the gross revenue to be earned, in which process all these things waste and are inevitably, though perhaps slowly, destroyed.

Material wasting assets, unlike manufactured stock, are not for sale as such, but are deliberately dedicated to be gradually destroyed, as their useful life expires, in carrying on the undertaking. After the purchase of these things, all subsequent fluctuations in the cost, or market value, of similar property should be wholly disregarded for accounting purposes, the sole question being how to apportion the cost of the wasting assets (a known amount, be it observed) fairly over each of the limited number of years which will benefit by the use in profit-seeking of these material wasting assets. It should be clearly recognised that undertakings using material wasting assets in profit-seeking incur, each year, expenditure under two quite distinct heads, one being that kind of expenditure for which cash has to be currently disbursed at or about the time the benefit is received, as, for instance, manufacturing wages, rent, and the like, and the other expenditure being represented by that part of the previously paid for capital outlay which has expired within the year. The measurement of this latter head of annual expenditure is still grievously neglected in the practice of accounting, and this is so more especially in the case of industrial plant.

The common commercial view of the going-concern value of industrial plant in use is that this value is properly based upon the unexpired capital outlay on that plant computed by deducting from the cost, less estimated residual value, an equal annual instalment of that cost in respect of each year of the estimated efficient life which has expired. Industrial plant represents the largest and most important division of material wasting assets, for it includes buildings, plant and machinery, tools and utensils, furniture and fixtures. All undertakings using any class of industrial plant should keep suitable accounting records in the form of a register of material wasting assets to enable annual expired capital outlay to be measured on a settled plan—always based upon current considerations—and deducted each year from the cost of each class of plant.

A convenient form of register consists of a loose leaf book of suitable size having a page, which can be followed by others when required, known as "class record," allotted to each class of industrial plant. Each page is ruled with twelve separate decimal cash columns, one column for each year. Each page should be headed with the description of the particular class of the industrial plant to which it relates, its declared length of life in years, and its estimated residual value. Each year's capital outlay on each class of plant is abstracted from the ordinary financial books and entered in the register in total at the end of the year, in the appropriate column for that year. The register also contains ruled sheets known as "class summary" and "annual general summary." The annual general summary is likewise written up at the end of each year, and shows in one sum the amount to be written off the balance of the plant account in the financial books, and charged to the annual profit and loss account as expired capital outlay—which includes obsolescence and is the modern term for depreciation.

If it became customary for industrial undertakings to keep records of this nature under the joint control of their engineers' and accountants' departments, this would enable annual profit to be computed with much

greater accuracy, and the appropriate going-concern value of industrial plant to be recorded on a proper system, based on a settled and continuous financial policy. There would then always be a permanent record available, showing the classification of all capital outlay on industrial plant, and a direct connection would be maintained between the actually existing plant and the going-concern value of that plant as shown in the financial books, and in the annual balance sheets of the particular undertaking. Many years' history of any number of different classes of industrial plant can be recorded in a register of this kind without any confusion or difficulty, and with very little clerical work.

GOODWILL, TRADE MARKS, TRADE NAMES, COPYRIGHTS, AND MONOPOLIES.

In our study of real capital we will now turn to some further consideration of those personal rights and claims of individuals, the exchangeable value of which is not represented by any tangible things. These intangibles are not real capital. It is easy to understand that personal debts and the mere multiplication of such debts, although they increase the personal property of some individuals, must be set off against the corresponding liability of other individuals, and therefore they do not increase, nor do they affect, the amount of real capital in existence. This applies to public debts due to individuals by a Government or a municipality, as well as to debts due to individuals by other individuals. But now we come to another kind of legal property like commercial goodwill, often amounting in exchangeable value to very large sums, depending, however, upon the probability of earning future super-profit—the meaning of which I will presently define—but representing nothing in the nature of existing tangible things. The value of all such insubstantial legal property depends mainly upon common law rights which protect the owners by imposing restrictive obligations and limitations upon the public.

Goodwill, in its commercial meaning, is the transferable right which grows out of all kinds of past effort in seeking profit, increase of value, or other advantage. The term "commercial goodwill" covers the whole field of rights growing out of all past effort of this nature. These rights are legally granted under various names, either by statute law or in equity, for the use and benefit of the owner. Commercial goodwill may thus include any and all such property as business connections associated with names, persons, and places of business, trade marks, patents and designs, copyright, and the right to exercise monopolies. It is important to observe that these rights exist altogether apart from the question of whether or not they have any present exchangeable value. It is often loosely said, "That business has no goodwill," when evidently what is meant is "The goodwill of that business has no exchangeable value." Goodwill is just a transferable right and nothing else.

The question whether or not these rights growing out of past effort in profit-seeking possess present exchangeable value does not concern the legislature. The law extends its protection impartially to all such rights as a matter of equity, and on grounds of public policy, sometimes by statute, as in the case of trade marks, which are protected by the Trade Marks Act, 1905; and in the case of patents and designs, which are protected by the Patents and Designs Acts, 1907 and 1919; and in the case of copyright, which is protected by the Copyright Act, 1911; and, finally, other rights—less easy to define—are protected by common law under the name of goodwill. Thus, although there is no Goodwill Act, a person who has acquired a business connection, either by his own industry and ability, or by purchase

from another man, and whether the business be profitable or not, has a common law right. This right operates to prevent the business connection being interfered with by the improper use of information or influence possessed by other persons formerly employed in the business.

The word "goodwill," in its legal meaning, thus covers a much more restricted area than in its commercial meaning, because some of the rights having this common characteristic of growing out of past effort in profit-seeking are protected in law by separate statutes under names other than goodwill. For this reason the area covered by goodwill in law appears not to extend to those rights which are protected by separate statutes. Legal goodwill is, therefore, confined to the connection of an established undertaking associated with names, persons, and places of business, and to unregistered trademarks.

Subject to a few minor exceptions, which are fully set out in my book on "Commercial Goodwill," the exchangeable value of goodwill of all kinds depends upon the probability of earning future super-profit—"super-profit" meaning the amount by which revenue, increase of value, or other advantage received, exceeds any and all economic expenditure incidental to its production. The term "economic expenditure" includes all current expenditure, expired capital outlay on material wasting assets (depreciation), personal remuneration sufficient to secure continued successful management (which will be costly when needing ability of a high order), and a rate of interest, or profit, on the value of material capital sufficient to attract and retain the capital required. The sufficient rate of interest, or profit—which may be called the normal rate—will vary with the degree of risk involved in the case of each particular concern.

It is clear, then, that although commercial goodwill forms part of the present value of every profit-seeking undertaking expected to yield future super-profit, yet this kind of exchangeable value is peculiar for it is based on nothing more substantial than future probabilities and possibilities; and, further, it only takes recorded and visible form, and becomes a practical financial question if and when the goodwill of an undertaking happens to have been purchased, that is to say transferred from one person to another person or company for valuable consideration. For this reason it will be understood that a very large part of the value actually existing in the form of goodwill is not recorded in any financial books or accounts.

Let us examine the nature of this peculiar value by reference to the case of two prosperous businesses, each of which was founded on the same day thirty years ago by Smith and by Jones. One of these businesses now belongs to Newman, who purchased the goodwill from Smith, the founder, twenty years ago, and the other business still belongs to Jones. For the sake of the argument let us assume that both businesses are, and always have been, in all respects exact counterparts of each other, except only that twenty years ago one of them changed hands as stated. The point is that the present position and future prospects of the two businesses now belonging to Newman and to Jones, being in all respects identical, the value of the goodwill of each will be equal in amount, and may now be either more or less than any sum of money paid for goodwill by Newman to Smith twenty years ago when Newman purchased the business and the goodwill. In the meantime, Newman may or may not have written off the cost of the goodwill out of the profits of the last twenty years; if he has not done so, then—other things being equal—he is now financially

handicapped as against Jones; and the cost of the goodwill still remains recorded as an asset in his books.

It is obvious that Newman having received, during the last twenty years, profits a discounted share of which had, under the terms of a definite bargain, been previously paid in advance by him to Smith, the founder, Newman should have gradually refunded that share and written the amount off the capital cost of the goodwill. There is no escape from the fact that the main part of the original cost of the goodwill has, in the meantime, expired; it has come back to Newman included in the business profits since received. If no annual provision to write down the cost of goodwill need be made by Newman in this case, then by parity of reasoning Jones, having an asset of equal value, is entitled to treat that value as his profits, and to bring it into account as an asset under the head of goodwill. This, however, would clearly be for Jones to improperly forestall the future by appropriating in advance and capitalising the expected super-profit of years still to come.

Now, over what number of years has the cost of purchased goodwill—that is, the purchased right to receive expected future annual increments of super-profit—i.e., the right to an expected annuity—any substantial remaining exchangeable value? At the best, money advanced for the purchase of goodwill is invested in something less tangible, and, therefore, involving more risk than money sunk in the purchase of material assets which, during their useful lives, will always have at least some exchangeable value.

Because of this greater risk it is necessary, in valuing goodwill, to discount each expected annual instalment of future super-profit at a rate of interest higher than the ordinary industrial minimum money rate of, say, 5 per cent. If the special risk rate is itself 10 per cent., then the super-profit instalments must be discounted at an inclusive rate of 15 per cent. per annum. In that case £100 of super-profit expected to be received one year hence has a present exchangeable value of £86.96; £100 of super-profit expected two years hence has a present value of £75.62; and so on. On that basis, the present value of £100 per annum over a period of twenty years is £626, which is only £40 short of £666, the present value of £100 per annum in perpetuity, inasmuch as £666 permanently invested—if that were possible—to yield 15 per cent. would produce £100 per annum for ever.

Although in valuing goodwill the appropriate rate at which to discount each annual instalment of expected future super-profit must obviously vary according to the degree of special risk involved in each case, it is not probable that the inclusive rate needed to cover both the ordinary industrial minimum money rate and the special risk rate can ever be less than 10 per cent. With an inclusive rate as low as 10 per cent. the present exchangeable value of £100 per annum over a period of twenty years is £851, this being only £149 short of £1,000, the present value of £100 per annum is perpetuity.

The reason that these two present values—one covering only a twenty years' annuity and the other extending to perpetuity—are so nearly identical is that annual sums receivable more than twenty years hence have, when discounted at a rate of 10 per cent. and upwards, very little present value. For instance, discounted at 10 per cent. per annum, the right to £1,000 receivable in ten equal annual instalments of £100 each, extending over a period from twenty-one to thirty years hence, is, at the present time, worth only £92. In dealing with such an uncertain and elusive quantity as the exchangeable value of commercial goodwill, such remote and minor values are often best altogether disregarded.

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It seems, therefore, that the term of twenty years must be considered, even under favourable circumstances, as being ordinarily, the approximate time limit within which future annual earnings of super-profit can have any very substantial importance either in estimating the original exchangeable value of goodwill, or in considering the unexpired accounting value—as a business asset—of the cost of purchased goodwill.

It is important to observe that real capital exchanged for the purchase of goodwill, or for the purchase of leasehold property, is in a somewhat different position to capital invested in the purchase, or the construction, of material wasting assets. Money paid for the purchase or construction of factories and plant is rightly described as capital outlay. It is an exchange of one kind of real capital for another kind of real capital or for current service in constructing the same. Such capital outlay expires year by year during the useful life of the material wasting assets, and this is a factor in the cost of production, and is rightly described as "expired capital outlay." But money paid for the purchase of goodwill, or for the purchase of leaseholds, is an advance of real capital for something which is intangible—mere rights to benefits expected to arise in the future. Accounting records concerning transactions of this latter sort may more appropriately be made by employing such terms as "capital advance" and "expired capital advance," rather than the terms "capital outlay" and "expired capital outlay." The common recognition of this fundamental difference would bring out more clearly the reason why expired capital outlay, namely, depreciation of material wasting assets, is part of the cost of production, and must therefore be provided before annual profits can be ascertained; while, on the other hand, expired capital advance is a necessary allocation of a part of annual profits, or of annual value, as and when these arise, needed to refund an amount which has already been paid to a vendor, in anticipation, by the purchaser of goodwill or by the leaseholder.

The financial problems which we have discussed to-night are no doubt somewhat difficult and obscure, but believe me that a clear understanding of them is essential and will throw new light for you upon the principles of sound finance and of accounting for capital. Do not forget that real capital is not money except as to about 1 per cent., but that it consists of material things which have been acquired and made useful by man's skill and effort, and that industrial capital represents about two-thirds of all capital, the remainder being domestic property, such as dwelling houses and furniture, and government and municipal non-trading property. In conclusion, let me suggest to you this aphorism which well summarises the fundamental importance of accounting for capital: it is this—profit and loss is itself capital increase and decrease. This means, of course, that profit and loss cannot be measured without properly accounting for capital.

Mr. CASSELTON ELLIOTT, in proposing a vote of thanks to the Lecturer, said they were all very grateful to Mr. Leake for the care he had taken in preparing his lecture. They had listened to it with interest, and he felt that the subject was a wide one and required careful study. He suggested that those present should take the opportunity of reading the lecture when published.

Professional Appointment.

Mr. J. F. G. Price, C.B., A.S.A.A., has been appointed Deputy Secretary of the Ministry of Labour. The appointment takes effect early next year.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following promotions in, and additions to, the membership of the Society have been completed since our last issue:—

ASSOCIATES TO FELLOWS.

BRAINT, JOHN CHARLES CARR, General Buildings, King Street and Wellington Street, Leicester, Practising Accountant.

FARLOW, ARTHUR ROLAND KING, (Martin, Farlow and Co.), 34 and 36, Gresham Street, London, E.C.2, Practising Accountant.

RICKS, REGINALD FREDERICK JOHN, (F. Stokes and Ricks), Sherwood Buildings, Sherwood Street, Nottingham, Practising Accountant.

SIER, HENRY JAMES (Morgan Brothers & Co.), Capel House, 54, New Broad Street, London, E.C.2, Practising Accountant.

STRACHAN, WILLIAM GEORGE, (Martin, Farlow & Co.), 34 and 36, Gresham Street, London, E.C.2, Practising Accountant.

TILLET, FREDERICK REGINALD, M.A. (Fitzhugh, Tillett and Co.), Finsbury Pavement House, 120, Moorgate, London, E.C.2, Practising Accountant.

TREEN, LEONARD ROBERT (Martin, Farlow & Co.), 34 and 36, Gresham Street, London, E.C.2, Practising Accountant.

ASSOCIATES.

ALLEN, EDGAR PERCY, Clerk to F. W. Clarke & Co., 24-28 Corridor Chambers, Market Place, Leicester.

BAILEY, DEREK OSWALD, Clerk to Widdowson & Simpson, 424-427A, Bank Chambers, 329, High Holborn, London, W.C.1.

BHESANIA, MERVANJI NUSSEWANJI, formerly Clerk to Holliday, Robertson & Co., Empire House, St. Martins-le-Grand, London, E.C.1.

BLACKLEDGE, JOHN, Clerk to Wilde, Lambert & Co., 24, Brazenose Street, Manchester.

BROWN, ROBERT SYDNEY, Clerk to Martin Shaw, Leslie & Shaw, 2, Wellington Place, Belfast.

CHAPMAN, ERIC WILLIAM EPTON, M.A. (Slater, Chapman & Co.), 38, Holborn Viaduct, London, E.C.1, Practising Accountant.

COLLAR, EDGAR RALPH, Clerk to E. Clarke Williams, 65, Oxford Street, Whitstable.

CROSLAND, FREDERICK EWART, Clerk to Fredk. C. Crosland & Co., 10, Park Row, Leeds.

FULLERTON, ARTHUR JOSEPH, (Walker, Fullerton, Hartley & Co.), 36, Park Square, Leeds, Practising Accountant.

HARRIS, REGINALD WILLIAM, Clerk to F. Geen & Co., Victoria Chambers, Liverpool Road, Stoke-on-Trent.

HARVEY, BENJAMIN HYDE, City Treasurer's Office, Exchange Buildings, Nottingham.

IYER, TIRUVISALUR SWANINATHA RAMACHANDRA, M.A., formerly Clerk to V. K. Upadastha & Co., Madras.

JOHNSON, ALMA, Clerk to F. C. Gardiner & Co., Barclay's Bank Chambers, Scarborough.

MURPHY, WILLIAM DANIEL, Clerk to Thomas May & Co., Allen House, Newarke Street, Leicester.

MUSTON, STANLEY FRANK, Clerk to J. C. C. Braint, General Buildings, King Street and Wellington Street, Leicester.

NORTHOVER, WILFRED HENRY, Clerk to Edwards & Edwards, 22, High East Street, Dorchester.

PRITCHARD, HENRY MAURICE, Clerk to O. W. Davies, Mumford & Co., Market Chambers, High Street, Kidderminster.

SHUTT, FREDERICK HOWARD, Clerk to Cooper-Parry, Hall, Doughty & Co., 102, Friar Gate, Derby.

SWINSTEAD, DEREK SIDNEY HILLYARD, Clerk to Edwards & Edwards, 22, High East Street, Dorchester.

WALKER, BENJAMIN, (J. Durie Kerr, Watson and Co.), 5, Waterloo Street, Birmingham, Practising Accountant.

WHAALLEY, CHARLES ERNEST JOHN, Clerk to Charles R. Whitnall & Son, Caledonian Buildings, 14, Tithebarn Street, Liverpool.

WILLIAMS, HAROLD GRONWY, Clerk to Lee & Mitchell, Craven Bank Chambers, North Street, Keighley.

Changes and Removals.

Messrs. Clarke-Lens & Clarke-Lens, Incorporated Accountants, of 76, Newgate Street, E.C., have changed their address to St. Paul's House, 49-50, Newgate Street, London, E.C.

Messrs. J. G. Hopkins & Co., Incorporated Accountants, have removed their Stockton office to 56, High Street.

Mr. Alfred Mart, Incorporated Accountant, has removed his office to 332-3, Moorgate Station Chambers, Moorfields, London, E.C.

Mr. F. W. Ogg, Incorporated Accountant, announces that he has commenced to practice at Prudential Buildings, Queen Street, Nottingham.

Messrs. Page, Simpson & Co., intimate a change of address to Broadway Chambers, 52, The Broadway, Stratford, London, E.

Mr. J. Pearson-Griffiths, Incorporated Accountant, has removed his offices to Merthyr House, James Street, Cardiff.

Messrs. Slater & Dominy have opened a branch office at City Chambers, Market Street, Ely.

Mr. John S. Stuart, Incorporated Accountant, announces that his address has been changed to 12, Warton Terrace, Newcastle-upon-Tyne.

Mr. R. G. Symmons, Incorporated Accountant, has removed his office to 42, King Street, Maidenhead.

Messrs. Townsend, Watson & Stone, Incorporated Accountants, intimate that they are removing their Crouch End office, and that their new address will be 4, The Broadway, Crouch End, London, N.

Mr. E. D. Wackrill, Incorporated Accountant, has commenced to practise at 45, Steytler's Buildings, Love-day Street, Johannesburg.

Mr. William Walker, Incorporated Accountant, announces that he has amalgamated his practice with those of Mr. A. J. Fullerton, A.C.A., Incorporated Accountant, and Mr. J. Alan Hartley, Incorporated Accountant. The combined practices will be carried on under the style of Walker, Fullerton, Hartley & Co., at 36, Park Square, Leeds.

Incorporated Accountants' Birmingham and District Society.

Luncheon to Sir Thomas Keens.

The Incorporated Accountants' Birmingham and District Society, held a Luncheon at Birmingham, on November 8th, in honour of Sir Thomas Keens, F.S.A.A. Mr. E. T. Brown, President of the District Society, was in the Chair, and the guests included the President of the Birmingham Chamber of Commerce (Mr. T. J. Kennedy), the President of the Birmingham Law Society (Mr. W. C. Mathews), the President of the Birmingham and District Society of Chartered Accountants (Mr. W. H. Newton), and the President of the Institute of Journalists (Mr. H. J. Whittick). Mr. Brown made special reference to the statesmanship of Sir Thomas in the profession, both nationally and internationally, and expressed the great pleasure of the Birmingham members in the honour of knighthood recently conferred upon him.

Sir THOMAS KEENS expressed his thanks to Mr. Brown and the Birmingham Society for the cordial welcome accorded to him, and addressed the Society on "The Economic Outlook." He said the economic situation to-day was that of substantial improvement at home and considerable confusion abroad, although he noted an upward movement abroad from the previous low level. The prime consideration in seeking prosperity was economic stability. In a brief review of conditions on the Continent, he said, they found in France, despite her enormous gold supplies, perpetual unrest. The Government was insecure, and the future absolutely obscure. There was certainly no stability in France, nor in Germany, Austria or Russia. In America President Roosevelt dealt with an appalling situation in 1932—practically a breakdown of commerce, the collapse of the banking system, terrible unemployment. Conditions had been so unprecedented that the untrodden road to recovery was the hard road of experience. Hence the measures taken were frequently marked by more courage than coherence and more speed than soundness. But a measure of success should be recorded with appreciation. No doubt the action of the United States Government at the World Economic Conference might have seemed necessary to it from its own point of view, but, speaking generally, it was profoundly unfortunate. Turning to a consideration of affairs at home, Sir Thomas drew attention to the remarkable improvement in national finance based upon a balanced budget. The measures taken in 1931 were drastic in the extreme, but were willingly faced by the whole population, who could rejoice at the steady emergence into better conditions. Depressed areas, the state of foreign trade and shipping, and unemployment, still gave cause for anxiety, but he pointed to the large increase in the numbers of those at work, the increase in wages, the reasonable rise in wholesale prices, and a wholesome drop in the cost of living. Railway traffics were better, building operations extended, and there was a nation-wide thrift movement, seen in the funds of savings banks, building societies, and life insurance companies, and the increase in the number of small investors. Moreover, Great Britain was the best market in the world, where, when goods were sold, payment would be obtained. But whether at home or abroad, the return of confidence was a major condition for further improvement. Given this increase in confidence, Sir Thomas considered that purely economic factors were capable of adjustment. The tendency shown by the establishment of marketing boards and similar schemes pointed to the future application of a certain amount of

planned industry, with, he sincerely trusted, the maintenance of private enterprise. The alternative of bureaucratic control from Whitehall would be about the worst thing that could happen to British industry. Concerning foreign trade, the circumstances had changed enormously, and the area for the export of British goods had narrowed, and in his view would continue to do so. Trade must be reciprocal; there could be no one-way traffic. This country must buy from all, but we were entitled to say what we would buy, and to ask that what other countries bought from us should bear a reasonable relation to what they sold to us. In congratulating Birmingham upon the improvement shown in its industry and trade, Sir Thomas referred to one of its marked characteristics, namely, the large number of moderate-sized and small undertakings. He emphasised the limit of usefulness of rationalisation, and was glad to know that it was not now so fashionable. There was still a large and valuable field for the enterprise of small and moderate-sized undertakings. Planning on lines exemplified in electricity and agriculture was likely to be extended, but there were obvious limitations. Maintenance and full development of private enterprise, which was the mainstay and mainspring of Birmingham's industries and Birmingham's people, were, on the whole, likely to be the best for the whole community as producing the greatest amount of national wealth, and the highest standard of living for the workers engaged.

Mr. F. M. HAWNT, in proposing a vote of thanks to Sir Thomas, expressed the pleasure it afforded him to do so, in that a partner of Sir Thomas Keens had been article to him. Mr. D. E. Campbell formally seconded the resolution, which was enthusiastically received.

Sir THOMAS briefly replied, and the luncheon terminated with a vote of thanks, proposed by Mr. T. Hannibal, to Mr. E. T. Brown, the President of the Birmingham Society, for his able and kindly conduct in the chair.

After the Luncheon an inspection was made of the new headquarters of the Library of the Society at the Birmingham Law Society's Library in Temple Street. The Law Society have recently erected a fine building for their Library, and have kindly agreed to house the books of the Incorporated Accountants' Birmingham and District Society. The Library is available between 9.30 a.m. and 5.30 p.m., and has the services of an excellent Librarian. Lectures will be held in the Library, and it is anticipated that the new arrangements will prove a great boon to the Society.

The President of the Law Society and the Librarian displayed some ancient treasures, and, before leaving, Sir Thomas Keens signed the distinguished visitors' book.

The Statist International Banking Section.

With the *Statist* of November 17th there has been issued the International Banking Section, which is prepared annually. The information contained in this section forms a source of valuable information and reference upon the condition of Banking and Banks abroad, and the statistics, which cover a number of years, are all brought up to date. A considerable extension has been made to the Section this year, and its scope may be gauged by the fact that its contents extend to some 150 pages. The introductory article discusses the problem of "The Gold Bloc" and deals with the weakness inherent in the gold countries, including their budgetary position and the growing difficulties of their export trade. The conclusion arrived at is that these weaknesses render their position untenable on a long-term view.

Training for the Accountancy Profession.

A LECTURE delivered to the Incorporated Accountants' District Society of Liverpool by

Mr. RICHARD A. WITTY,
INCORPORATED ACCOUNTANT.

The chair was occupied by Mr. E. S. GOULDING, F.S.A.A.

Mr. WITTY said: When your Committee first asked me to give an address in Liverpool, it was suggested that I should speak on the subject of examinations. But as I have spoken on that more restricted topic on a good many occasions, I in turn suggested to Mr. Bertram Nelson that I would prefer the wider title of "Training for the Accountancy Profession," and he cordially agreed with the alteration. In making that suggestion I did not imagine for a moment that it would be possible to draw up a complete programme of training, or to cover the whole ground of the subject in forty-five minutes. Indeed, we shall probably not be able to do more than glance at a few of the outstanding points. But my chief reason for suggesting the alteration was that I wanted this evening to get away from the somewhat prevalent idea that preparation for the examinations and training for the profession are synonymous terms. The two phrases do not connote the same idea at all. Preparation for examination is a part—an important part—of the training for accountancy, but in this country particularly we lay very great stress on the practical part of an accountant's education. Beyond that, preparation for the examinations quite naturally comes to an end with the passing of the Final examination, but training for the profession emphatically does not come to an end at that point. To-night, therefore, we are rather going to consider the training essential to meet the requirements and responsibilities of the accountant of the future. We take as our standard the practising accountant, although of course we shall recognise and discuss, if time permits, the position of the qualified accountant who turns into commercial or other avenues, and also the still more difficult problem of the specialised practitioner. But throughout we are going to recognise that our outlook is not to be limited to the requirements of the examination syllabus. Many addresses have been given on this and allied subjects during the past 20 years. Too frequently, lecturers have merely wanted to add something to the examination syllabus. Possibly, you will be inclined to agree with me if I say that the present syllabus is quite wide enough for the first five years of the accountant's life, especially in view of the imperative demand by all the accountancy bodies for practical experience to run concurrently with the study for examinations. I do not propose to summarise earlier addresses on the subject, but in passing let me just mention that at the Conference of the Institute in Manchester a month ago a lecture was given by Mr. Furnival Jones under the title of "The Professional Accountant of Yesterday, To-day and Tomorrow." That lecture has already appeared in the columns of our *Journal* and in *The Accountant*, and if you have not already given it your careful attention I would recommend you to do so. Mr. Furnival Jones points out that he is only able to deal very briefly with his subject, but a knowledge of the ground he covers is really an essential preliminary to a study of the broad question of training for the accountancy profession.

PAST AND FUTURE EVOLUTION OF THE ACCOUNTANT.

We must endeavour to formulate some idea of what will be required of the accountant of to-morrow. To do that I think we must very briefly trace the evolution of accounting to the present day, and then see if we can continue that process of evolution in our minds during the next, say, 30 years.

Admittedly, the position of the accounting profession to-day is unique in the history of professions. Let us ask ourselves why accounting is a profession, whilst book-keeping is perhaps more correctly described as an occupation. How did book-keeping evolve into accounting? Richard Brown's "History of Accounting and Accountants," which was published in this country in 1905 records more particularly the history of book-keeping and the rise of the various classes of accountants, but if you want to follow the history of this actual evolution, I would recommend to your notice a work written by Dr. A. C. Littleton, and published in New York by the American Institute Publishing Co. in 1933, under the title of "Accounting Evolution to 1900." The limitation conveyed by the words "to 1900" is perhaps a little misleading, because in his general notes the author is writing with a full knowledge of all that had transpired up to 1933. It is not necessary for me to repeat the story from the year 1494, when Paciolo's work, "Everything About Arithmetic, Geometry and Proportion," was first published, down to 1900, which found accountants occupying a definite and increasingly important place as commercial advisors. Suffice it to say that Mr. Littleton reviews firstly the proprietorship theory and the entity theory in accounting, and then passes to a consideration of the effect of limited liability and other commercial changes in relation to accounting and the gradual growth of professional auditing. "The Background of British Auditing" is the title of a chapter which summarises briefly the history of the profession in this country up to 1870, and the subsequent chapters survey some of the social and economic forces which conspired to the development of a body of independent practitioners offering skilled services to the public. The actual evolution of the accountant from the book-keeper was due almost entirely to outside causes, and not to any inherent improvements in the science of bookkeeping. It was the social and economic forces which were at work throughout the world, and more particularly in this country, which created the demand for a body of men steeped in the principles of book-keeping, and capable of adapting that special knowledge and the opportunities which it afforded to a much wider circle of service in the commercial community. Out of the germ of scientific method which lay in double entry book-keeping, out of the needs arising in the rapid industrialisation of society, and out of the parliamentary action of the day, a profession took root and grew. Mark those two forces—industrialisation and parliamentary action—and you have the key to the enormous expansion of the accountancy profession; think of these forces in relation to the position of 1934 as contrasted with 1904; conjure up the possibilities of these and allied forces during the next 30 years, and you will see a vision of accountants occupying a position in the counsels of the commercial world which will transcend anything ever witnessed in what are still described in the Oxford Dictionary as the three learned professions of Divinity, Law and Medicine. Optimistic, yes! enthusiastic, yes! and we need not be ashamed of being enthusiastic about our profession provided we recognise our responsibilities, and so long as we do all that lies in our power to equip ourselves and particularly our younger generations for the

great future which lies before the accountancy profession. Speaking to you as a body of Incorporated Accountants and Incorporated students, I need not enumerate the multifarious functions of the public accountant of to-day. Suffice it to say that there is no single avenue of finance or commerce—private, public, national or international—in which the specialised training of the qualified accountant is not brought into service. No single accountant's office, however large the practice, and however large the staff, covers all the ramifications of the profession. You know what the position is to-day. If I were to ask each of you to forecast the next 30 years of your own particular life as an accountant, it is quite conceivable that you would all give replies which differed in detail. That would be almost inevitable if the subject were viewed from the individual point of view, but considered from the point of view of the profession as a whole there would probably be broad lines of agreement.

LARGE COMMERCIAL UNITS.

Mechanical accounting, we believe, is likely to extend particularly in the larger commercial units. Incidentally, it is being suggested very freely that the whole of the trade of this country will be in the hands of large commercial units within the next decade or two. Personally, I doubt the accuracy of that forecast. We have witnessed the rise of many great corporations in the last 20 years, but I suggest that even to-day a large and important part of the trade of this country is conducted by what we may call the small business man, *i.e.*, the individual who backs his business judgment with his own time and capital; the master man, may I call him, without meaning anything derogatory to those who serve even the largest corporations. I think it would be a bad day for the country from the economic point of view if we ever eliminated the small master man; but that is a big subject, and I merely make that suggestion in passing so that you can discuss it if you wish in relation to the future accountant. It clearly has a bearing on this point because if we believed that all trade and commerce would be in the hands of large units within the next 30 years, then it would require very serious consideration in relation to the training of the accountant to-day.

MANAGEMENT.

This point also brings to the mind the word "management." A word which is full of possibilities and perhaps dangers in the future of our profession. I must not be tempted into a complete discussion on management, but I want to say this, that every accountant of the future will require to know all that he can possibly acquire about scientific management. If he turns to commercial work he will want to understand the practical side of management; if, however, he intends to practise as a public accountant, then he requires that knowledge only in order that he may carry out his accountancy duties properly. It will always be the duty of the practising accountant to check management, but let us hope that it will never be his to manage in his professional capacity except in the sense duty that the doctor may order and manage the life of his patient.

THE NEW STATUS OF MANAGEMENT.

This, in turn, raises another point which is going to seriously interest the future accountant. We are being told every day that whereas capital used to hire management and labour, the position is now being reversed, and management and labour are hiring capital. It would be still more correct, perhaps, to say that management is hiring capital and labour. Management is becoming

ing the predominant partner. If that process continues, and it very conceivably may do so, then we must visualise a new order, a new state of affairs. I suggest that no amendments of the company law would meet the altered conditions; no provision could fully safeguard the interests of those whose capital is merely hired; no new forms of proxy could get over the difficulties which are experienced to-day; no statutory enactment under limited liability law could give any real measure of control to those whose capital is simply hired; indeed, we have to realise the fact that we are arriving at a position which was never really contemplated by the joint stock company law of this country. We should have to be prepared for an entirely new scheme of law under which management would be saddled with a much greater degree of responsibility than to-day. Insofar as they were merely hiring capital, it might necessitate an arrangement somewhat akin to the present-day borrowing from banks, an arrangement under which some fixed or varying rate of interest would be payable for the use of capital under any circumstances whether a profit or a loss were made, and some fixed degree of responsibility, moral and financial, would be placed upon the management. This is another point worthy of a full discussion in itself, but one which I mention as having a direct bearing upon the training of the future accountant.

OTHER POSSIBLE DEVELOPMENTS.

Costing is another line of commerce which is likely to develop, although personally I think it falls more into the category of the specialist book-keeper than the accountant.

Professional executorship, too, offers a wide field to the accountant, even though the professional man is not allowed to advertise like the banks. But it is difficult to prophesy as to the new avenues which may be opened for the future accountant by those two forces to which I have already referred, namely, industrialisation and parliamentary action. We can, however, anticipate considerable changes in regard to company law and other branches of commercial law, and we must be prepared for further alterations in the social and economic forces.

SPECIALIST PRACTITIONERS.

It is easy to assume that the specialist practitioner will be a feature of the future accountancy profession, and that post-graduate training may follow specialist lines. I do not, however, see any prospect of a body of specialists in the same sense that we speak of specialists in the medical profession. The success of the accountancy profession is due to the wide outlook of every member of the profession. Anything which tends to limit the horizon of the accountant may restrict his general usefulness, even along specialised lines. But the exigencies of practice may, in themselves, create the specialist in a certain branch of accountancy work, but probably not to the extent that he will follow that branch to the exclusion of general work. The possibilities of specialisation, however, are another point to be borne in mind in considering the question of training for the accountancy profession.

I would like to spend further time in looking at the probable future of the qualified accountant, but although it has an important bearing on the title of our address this evening, the student members in particular are no doubt anxious that we should come to that part of our subject which more immediately concerns them.

EXAMINATIONS.

It is the custom to decry examinations, and the only answer sometimes given is that they are not perfect, but

nobody has yet thought of any better method of testing a person's education, either general or vocational. That is begging the question. The answer surely is that examinations provide a definite goal for study. Study without examinations is too much like a ship compelled to drift at sea like the Flying Dutchman's vessel without ever reaching a port. Examinations compel concentrated study as distinct from aimless browsing at knowledge. Examinations provide the stimulus for original thought and constructive reasoning.

NATURE AND OBJECT OF EXAMINATIONS.

At the outset, I would impress upon you that the Society's examinations are not of a purely competitive nature. That is to say, there is no provision, written or unwritten, that a certain percentage only of the candidates who present themselves may receive a pass notice. The examinations are directed towards testing the knowledge of a candidate and his fitness for admission to the Society with the consequent use of the designation "Incorporated Accountant." A definite standard of knowledge is required to be proved before the Society will admit the candidate to membership, and it depends entirely upon the candidates themselves as to the percentage to reach that standard at a given examination.

This thought should be in all your minds in the course of your study—that you are preparing for a professional career, and that your studies must be directed towards your fitness for that particular vocation. In the long run it will be futile for you to so arrange your studies that you pass your examination without having acquired that deeper knowledge which will enable you to take all the responsibilities of public practice. Examinations loom very large when they are ahead, but after you have passed the Final you see them in their right perspective. The Board of Examiners endeavour to test the practical knowledge of the candidates. They never set deliberate traps, but are always concerned to give candidates the opportunity of displaying the knowledge they possess. Admittedly, examinations are not an infallible test of a man's ability. We all know that occasionally a brilliant man in practice may fail at an examination, and his failure may be due to temperamental causes. But when you have an examination such as the Society's Final, which includes three separate groups under the headings of (1) Accountancy, (2) Law, and (3) Economics and Statistics, the chance of a candidate being ploughed through unfortunate questions is reduced to the minimum. On the other hand, we find candidates passing the examination at the first attempt, and possibly obtaining honours, whose reputation in the office is not of a high order. These two extremes, however, are very exceptional, and in the case of the preponderating majority of candidates the examination result must be taken as a fair reflection of the candidate's knowledge. Luck does not play much part in our examinations. The safe pass is the man who knows his subject, and the certain failure is the man who does not.

It is undoubtedly true that the examinations to-day are stiffer than they were, say, 20 years ago; it is also true that the examiners require a higher standard in relation to each paper, but these extra demands are only a reflection of the greater responsibilities which are placed upon professional accountants to-day, both by statute and by advancement of commercial ideas and organisations. We must therefore accept these facts and plan our studies accordingly.

Owing to the demands on our time, I cannot take you through the syllabus and discuss the individual subjects in their relation to general training. Let it suffice that the present syllabus is the outcome of very mature delibera-

tion. The syllabus is constantly under review, but amendments and alterations are not made and are not likely to be made lightly or merely for the purpose of change.

But we must give some consideration to the broad question of study and coaching.

COACHING.

There is little doubt that the very great majority of the Society's students are tutored by professional coaches, although there are some who are successful at the examinations without this assistance. So far as the acquisition of knowledge is concerned, the Society's syllabus is certainly not prohibitive to self-study. The danger, however, lies in the fact that the candidate may waste a lot of time through the absence of proper direction in his studies, and also in the fact that he is without previous experience in drawing up a time-table of studies and a course of test papers.

Coaching is probably as ancient as the human race although it is only during the last two or three decades that it has been raised to the status of a profession in itself. Let us remind ourselves, however, that the real object of coaching should be to equip us for our career, and incidentally to enable us to pass the examinations which are only a test of our fitness for that career.

CRAMMING.

One is tempted to discourse on study *v.* cramming. The word "cramming," however, is so vague and indefinite that no useful purpose would be served in entering upon a long dissertation. From one point of view it may reasonably be said that any form of intensified study is really cramming in the sense that the student is endeavouring to imbibe knowledge at much greater speed than under normal circumstances. But cramming in its derogatory sense I take to mean the acquisition of knowledge in such a way that the mind retains what it has absorbed for a very limited period only and deliberately ceases to store it. It is not impossible to study in this way. Anyone with a reasonably good memory can learn long passages or short mnemonics by heart in a brief space of time, so that what has been memorised can be repeated within, say, a week or a month, and then entirely forgotten. That is essentially cramming. I think it is realised, however, by all professional coaches—and, in fact, by all who are interested in any education—that such a process may defeat its own end in relation to a particular examination, and for that reason I think it may truly be said that modern coaches discourage cramming. A revision course, for example, is not cramming, but is a necessary part of any course of study which has been spread over two or three years.

PROFESSIONAL EDUCATION.

It is no secret that the general question of the professional education of our students is continuously occupying the attention of the Council. The representatives of the District Societies take a keen interest in this matter, and various proposals have been considered from time to time at their Conferences. One interesting suggestion has been that some degree of University training should be made an essential part of the examination candidate's studies. There is little doubt that up to a point the suggestion is good. The University influence is distinctly helpful, but the great drawback to the whole proposal lies in the fact that our students are drawn from all parts of the United Kingdom and the Dominions, and in many cases University facilities are not available. Suggestions have been made that the Society itself should undertake an educational scheme, and the possibilities of such a

proposal meeting with success have undoubtedly been increased since the completion of the District Societies' organisation. Personally, however, I do not favour the scheme at present, partly because similar schemes run by other professional bodies have not been conspicuously successful, and partly because I fear the results of creating a body of spoon-fed candidates. I would rather leave it to the candidates themselves, subject to reasonable guidance, to arrange their own professional education as being a necessary part of their training for authority and responsibility. I do not contend that the present system is by any means perfect, but I must admit that I have not heard any specific suggestions which appear to me to be a real improvement on the present methods of professional coaching.

The present syllabus, both for the Intermediate and Final examinations, is as wide and comprehensive as can reasonably be demanded from an articulated clerk of five years' training, or from a special by-law candidate. The students of the Society are practically all engaged in actual professional work during business hours, and although some of them may be fortunate enough to get some allowance of time for study during the day it must inevitably happen that in the great majority of cases the necessary theoretical knowledge of their profession is only to be obtained during that period which is erroneously described for them as the hours of leisure or recreation. I do not suggest that the syllabus covers all the knowledge required by the modern practising accountant, but I have formed the opinion that any demands for additional subjects should be the basis of an examination to be taken at some date after qualification. The post-qualification examination might be made a condition precedent to fellowship, or alternatively it might lead to a higher qualification such as a Doctor of Accountancy.

But whether or not we have a post-qualification examination, there is no question that training for the accountancy profession must include very definite post-qualification study.

An attempt was made by the Society, as you are no doubt aware, in the Cambridge Course of last year to focus attention upon the necessity for post-graduate study. That course was not merely a substitute for an ordinary conference. The Council endeavoured to meet the continued need of the qualified Incorporated Accountant of revising his knowledge and of reviewing his experience from new angles. But I think we must be frank with ourselves, and admit that even though such a course can be made permanent or more frequent than once a year, still the qualified man will have to be mainly dependent upon himself for the development of his knowledge. Clearly, then, the young accountant and for the matter of that, the older accountant, too, must continue his educational studies just so long as he is an accountant. Training for the accountancy profession is a life-long job, and that is one of the charms of accountancy as a career which offers an endless variety of experience and is never subject to the monotony which tends to kill interest in some other walks of life.

COMMERCIAL EXPERIENCE.

But it is not along the educational side only that the post-graduate training is so important. It is very essential that the practical training should continue to be as wide and varied as possible. There is much to be said for the principle that the accountant should obtain some experience actually in a commercial house. The accountant's clerk normally commences his work when the book keeper has finished, and I would strongly advise all young students to take every possible opportunity of writing up original entries in books so that they may intimately know the

rudiments of their profession as well as the higher branches. It is difficult, however, to make a condition such as service in a commercial house obligatory, but we need not lose sight of the fact that where possible it is advantageous.

EXCHANGE OF ARTICLED CLERKS.

Then there is the question of the exchange of articulated clerks between two or more offices. Such a course may have advantages from the clerk's point of view in certain cases, but we must also remember the employer's point of view. He is not in practice solely for the purpose of providing experience for his clerks. He is in practice, I suppose, firstly, to earn a living for himself, and to do that he must study the interests of his clients before he studies the interests of his staff. So far as audits are concerned, it is the practice in some offices to change the clerk in charge of the audit each year, and to that extent the exchange of clerks between offices presents no special difficulties. But in my experience clients prefer that the same audit clerks should be engaged on their work at each audit visit. Nevertheless, whatever can be done to widen the experience of the accountant student is helpful in his training.

RESPONSIBILITY.

I know of no examination test which can measure a candidate's capacity to undertake responsibility, but that capacity is undoubtedly one of the most vital attributes of the public accountant. I suggest that the willingness to undertake responsibility is the secret of the ever-widening circle of duties entrusted to the accountant. It is therefore fortunate that from the day we first enter our profession we are saddled with responsibility to a larger degree than is common in many other vocations. We start by being responsible to the senior clerk, then to the managing clerk, and then directly to our principal. We recognise our responsibility to our principal's clients, and this prepares us for our direct responsibility to our own clients and to the public when in turn we enter the ranks of practising accountants or take up important positions in the commercial world or with a public authority. Acts of Parliament are continually increasing the responsibilities of accountants, but it is the boast of the accountancy profession that they do not restrict their responsibility solely to the requirements of any statutory enactment. Responsibility involves the faithful discharge of a trust, express or implied. To the young student and the young qualified accountant then I would say, Never shirk responsibility, and remember that the manner in which you accept and discharge your responsibilities, both small and great, will have an important effect on your own personal reputation, on the reputation of the Society or Institute of which you are a member or hope to become a member, and therefore on the reputation of the Accountancy Profession as a whole.

AUTHORITY.

But a sense of responsibility demands the twin attribute of authority. To be able to speak with authority, and to be recognised as an authority, are legitimate and laudable aspirations of the accountant. He must train himself to be an authority. From his earliest days the accountant's clerk is in a favourable position in relation to the question of authority. The work of an audit clerk has this great advantage over the work of the commercial clerk; that the audit clerk views a business as a whole; his attention is focussed on the complete results and normally his view is not restricted by any degree of departmentalism. That fact alone should give him a sense and power of authority. Because, by authority we mean the power of influencing the conduct and actions of others; the right to command or to give an ultimate decision; the possession of an authoritative opinion based on sound and complete know-

ledge carrying with it an intellectual influence over the minds of others whose knowledge may be more restricted.

And if we are right in our mental picture of the future accountant, we must impress upon our younger men the supreme importance of training themselves to responsibility and authority. That training involves the power of concentration—even in what may at the moment appear to be matters of trivial importance—the ability to grasp and marshal facts and figures, the essential quality of leadership carrying with it a knowledge of men and affairs.

RESEARCH.

It may be within your knowledge that your Hon. Secretary, Mr. Bertram Nelson, has forced the question of research into the realm of practical politics. Our Society has appointed a Research Committee, of which I have the honour of being Chairman, to investigate the practicability and usefulness of research in the world of accountancy. We may have to create a new meaning for the word Research, because I do not think it can correspond with research work, say, in the world of chemistry. But there is definite need for authoritative research and pronouncement in matters of technique, standardisation and interpretation, and possibly in the clarification of accounting terminology. Training along the right lines will pave the way for much valuable work in that connection. And later there will be an invitation to all members and students to contribute ideas and suggestions in relation to the general question of research. I feel sure that Liverpool will not hesitate to support its own Hon. Secretary by giving real thought to this somewhat difficult problem.

There are many other points on which I should have liked to touch: character generally, reading, and the effect of reading on character, public speaking, the winning of confidence, and the imperative necessity of obeying the ethics of the profession. It would have been interesting, too, to conjecture a little more as to probable future work of the accountant.

But time is too short, and I must draw to a conclusion.

CONCLUSION.

Now let us consider what is achieved by the system of training and examinations. It is a matter of common complaint that the student is compelled to do a vast amount of reading and study upon which he is not actually examined. This is inevitable, but it is to be remembered that during that study he has assimilated knowledge, and, what is almost as important, he has found out where to look for information and how to apply it. After all, the practising accountant refers to his authorities daily if only to confirm his knowledge before acting in a particular matter.

The training generally teaches the student the power of mental discipline; it should help him to realise that accountancy is a learned as well as a practical profession. It should create a desire for further knowledge and the realisation that every right-thinking accountant must be a student all his life. A lifetime is not too long to acquire all the knowledge which practising accountants should possess, and that is probably what is meant by those who tell you that your training really starts, not finishes, on the day you pass the Final examination.

Finally, I think you will all agree with my original contention that training for the accountancy profession means much more than preparation for the examinations. And although the future opens up an ever-enlarging circle of requisite knowledge and experience, still it offers great attractions and rewards such as I suggest are not exceeded in any other profession.

QUESTIONS IN PARLIAMENT.

Fixed Investment Trusts.

On November 6th Lieut.-Col. SANDEMAN ALLEN asked the President of the Board of Trade whether, in order to assist the London Stock Exchange in its efforts to prevent exploitation of the investing public by abuse of Stock Exchange facilities, he will, before amending the Companies Act, 1929, request the Committee of the London Stock Exchange to provide him with their suggestions for safeguards in the flotation and management of fixed investment trusts?

Capt. ARCHIBALD RAMSAY asked the President of the Board of Trade whether he will consider introducing legislation when amending the Companies Acts so as to require that, before the London Stock Exchange Committee grant quotations to the shares of fixed investment trusts, it shall be compulsory for managers of those trusts to publish profit and loss accounts and balance sheets showing management and other expenses for all invitations for subscriptions for such shares, and to make it clear to the public that the trustees whose duties are restricted to being custodians of the securities and to ensuring that the number of units is correct, are not responsible for the management?

Mr. RUNCIMAN: The suggestions of my hon. and gallant Friends have been noted for investigation when the amendment to the Companies Act is under consideration.

Rating and Valuation Act.

On November 8th Mr. DREWE asked the Minister of Health whether he is aware that the interpretation placed upon the word "uniformity" in the Rating and Valuation Act is causing apprehension, as certain assessment committees are adopting the policy of levelling up to prevailing high rentals instead of making an equitable assessment upon business and other properties, and that this policy is prejudicial to employment for improvement purposes; and whether he will take steps to place the quinquennial valuation on a basis less disturbing to the business of the country?

Sir H. YOUNG: I am not aware of the apprehensions to which my hon. Friend refers, or that there is any case for the special action which he suggests. There is an appeal to the Courts from the Local Assessment Committees, with whom rests the application of the law relating to the assessment of property, and the position is fortified by the County Valuation Committees and the advisory Central Valuation Committee.

Death Duties.

On November 13th, Mr. STOURTON asked the Chancellor of the Exchequer whether agreement had been reached between the Treasury and the beneficiaries under the £5,000,000 will of Sir James Knott for the payment of the full scale of the United Kingdom death duties, which it was sought to avoid through foreign domicile; and whether he will consider introducing legislation to invalidate domicile abroad for a period of ten years prior to death, with a view to overcoming such evasions at the expense of the community?

Mr. CHAMBERLAIN: As regards the first part of this question, I am unable to add anything to my reply to a question by my hon. Friend on this subject on the 28th June last, when I informed him that I was not prepared to disclose information as to the position in regard to taxation in a particular case. As regards the second part,

I have considered my hon. Friend's suggestion, but I do not think it would be effective in securing the object that he has in view.

Civil Service (Accountants).

On November 13th, Mr. RHYS DAVIES asked the Financial Secretary to the Treasury whether he is aware that under present conditions governing appointments it is impossible for any person qualified as a Chartered or Incorporated Accountant to be admitted into the Civil Service; and whether he will take steps to remove this barrier?

Mr. COOPER: I would refer the hon. Member to the reply given to him by my predecessor on the 6th March, 1933, to which I have nothing to add.

Mr. DAVIES: Does not the hon. Member think it very anomalous that the best qualified young men as accountants in this country can never hope to enter into such a post in any Government Department?

Mr. COOPER: It is open to young men to enter the Civil Service and become accountants afterwards.

Mr. DAVIES: Is it not impossible for them to become Accountants and then enter the Civil Service?

Mr. COOPER: It is possible for a young man to equip himself by passing the necessary examination after entering the Civil Service. If he passes the examination before then he becomes too old to enter the Civil Service in the ordinary way.

Reviews.

Accountants' and Auditors' Diary, 1935. London: T. Whittingham & Co., Ltd., 50, Southwark Bridge Road, S.E.1, and 35, Bucklersbury, E.C.4. (Price 6s. to 12s. 6d. net, according to size and binding.)

This diary is specially designed for the use of accountants, and past experience has proved its value. In the body of the diary provision is made for setting out the details of work done day by day, and at the end there is a time summary. The summary is specially ruled to enable the time for the whole year, or any shorter period, to be summarised under the client's name, additional columns being provided for working out the total time and extending the charges. In the cloth bound editions the summary is enlarged and divided into alphabetical sections for convenience of reference. The editorial matter is specially selected so as to be of practical use to accountants in carrying out their duties from day to day, and comprises the main provisions of the Companies Act, 1929, so far as they affect accountants, and also the audit provisions relating to companies incorporated under special Acts of Parliament. Special attention has been given to income tax and sur-tax, full particulars being supplied in a form readily accessible and without unnecessary detail. Full information is likewise supplied with regard to deeds of arrangement, stamp duties, national health and unemployment insurance, &c. The diary is published in a number of different sizes and bindings suitable for the varying requirements of principals and clerks.

Bankruptcy Procedure. By W. D. Russell, A.C.A. London: Gee & Co. (Publishers) Ltd., 6, Kirby Street, E.C. (202 pp. Price 8s. 6d. net.)

This is a useful book on the procedure in winding up a bankrupt's estate. The matter is well classified and briefly stated, and where forms are involved the number of the form is always given in the margin. The whole of the official bankruptcy forms are reproduced, together with scales of fees and costs; also the circular issued by the

Board of Trade to Committees of Inspection. Attention is likewise given to the position of the landlord, reputed ownership, fraudulent preference, &c.

Bankruptcy Administration. By W. J. Back, A.S.A.A. London: Gee & Co. (Publishers) Ltd., 6, Kirby Street, E.C. (26 pp. Price 1s. net.)

This pamphlet also deals with bankrupts' estates, but in a more condensed form. At the same time it includes much advice of a practical character which can only be drawn from the actual experience of carrying through the administration of an estate. It will accordingly be found to be of considerable value to students.

Principles of Accounting. Edited by Stanley W. Rowland, LL.B., F.C.A., St. Albans: The Donnington Press, 40-42, St. Peter's Street, St. Albans. (436 pp. Price 12s. 6d. net.)

The object which the author of this book has set himself is first of all to explain the underlying principles of accounts. He then proceeds to deal with the profit and loss account and balance sheet, and subsequently discusses reserves and depreciation and the various methods of calculating sinking funds. Further chapters are devoted to the accounts of holding companies and the double account system, and the appendix contains the sections of the Companies Act, 1929, relating to audit and accounts; also exercises for the purpose of concentrating the reader's attention on the main points dealt with in the text.

The Young Salesman's Handbook. By John C. Bolton, F.S.A.A. London: The Efficiency Magazine, 87, Regent Street, W.1. (78 pp. Price 2s. 6d. net.)

Anyone interested in the subject of salesmanship will find in this little book a number of hints which may prove valuable in enabling him to adapt himself to the psychology of those with whom he comes into contact.

A Municipal Costing Scheme at Work. By R. G. Nicholson, A.C.A., F.S.A.A. London: Burroughs' Adding Machines, Ltd., 136, Regent Street, W.1. (20 pp.)

In this booklet Mr. Nicholson describes the application of a costing scheme to the borough engineer's department of a municipal corporation. His subject is divided into two main headings, namely, stores accounting and cost accounting. The system referred to is in actual operation, and the procedure adopted in carrying it out is explained briefly in the text and supplemented by a large number of diagrams showing the inter-connection of the different books and records. The use of mechanical appliances is also touched upon.

Solicitors' Accounts. By W. F. Whelan, B.Com., A.S.A.A. London: Gee & Co., Ltd., 6, Kirby Street, E.C.1. (76 pp. Price 5s. net.)

With the commencement of the new year solicitors will have to bring their accounts into conformity with the provisions contained in the Solicitors Act, 1933, and the rules made thereunder, which provide for the separation of solicitors' moneys from those of their clients. The method of doing so is the subject of this publication. The author does not advocate a system which will apply in all circumstances as he realises that variations must be allowed for to meet the requirements of any particular case. The course adopted is therefore to discuss the special features which arise in relation to the new rules, and in this connection examples are given of different forms of cash books, one on the basis of a combined book dealing with both clients' and office moneys, and the other separate cash books for office and clients' accounts. Explanations are also given as to the treatment of disbursements and petty cash and the procedure in balancing and preparing the final accounts. The book contains copies of the Act and the Rules.

Correspondence.

INCONVENIENCES OF "WINDOW" ENVELOPES.

To the Editors, *Incorporated Accountants' Journal*.

SIRS,—As my fellow Incorporated Accountants are largely concerned in the administration, as apart from the audit of the accounts of limited liability companies, may I, through your columns, draw the attention of those interested to the grave inconvenience attached to the use of "window" envelopes in transmitting to shareholders and others documents of importance.

The object of "window" envelopes, presumably, is the saving of clerical labour, as the name and address of the person appearing on the document shows through the "window" and is not repeated on the envelope itself. This would appear to be satisfactory if the addressee is actually at his registered address, but should he be away the address on the document itself is cancelled and the temporary address is substituted on the envelope. The result is a mutilated enclosure which causes much inconvenience. In one such case recently I had to obtain a certificate from my bankers before I could receive a sum of money. It seems to me, therefore, that envelopes of this nature should not be used for the despatch of documents of value.

Yours obediently,
F.S.A.A.

MUNICIPAL ELECTIONS, 1934.

At the Municipal Elections held last month the following Incorporated Accountants were returned:—

- Mr. W. H. H. Aplin, F.S.A.A., was returned unopposed for the St. Paul's Ward of Exeter.
- Mr. H. J. E. Batchelor, F.S.A.A., was returned as Rate-payers' Representative, to the Southampton County Borough Council, by a majority of 987.
- Mr. A. Critchley, F.S.A.A., was returned for the Warbreck Ward, Liverpool, with a majority of 1,445.
- Mr. R. Duncan French, F.S.A.A., was returned for the West Derby Ward, Liverpool, with a majority of 1,847.
- Mr. H. N. Howarth, A.S.A.A., was returned for the Harehills Ward, Leeds, with a majority of 1,735.
- Mr. F. A. Webber, F.S.A.A., was returned unopposed for St. Michael's Ward, Bristol.

Mr. James Paterson, F.S.A.A., who lost his seat on the Greenock Council at the elections held last month, has devoted himself to the government of Greenock for a period of 43 years. He was elected a member of the Committee of Management of the Parochial Board in 1891, and was Chairman of the Parish Council from 1897 to 1899. He was elected to the Corporation on its formation, and held a seat until his defeat at the recent elections.

Institute of Arbitrators.

On December 5th a practice arbitration will be held by the Institute of Arbitrators in conjunction with the Chartered Accountants' Students' Society. The meeting will take place in the Hall of the Institute of Chartered Accountants, Moorgate, London, E.C.2.

Mr. W. E. Holland, Incorporated Accountant, senior partner of the firm of Oldham, Holland & Co., has been elected to the Common Council for the Coleman Street Ward of the City of London. This makes four members of the Society now holding seats on that Council.

Incorporated Accountants' District Society of East Anglia.

ANNUAL DINNER.

The annual dinner of the Incorporated Accountants' District Society of East Anglia was held at Norwich on November 23rd. The President (Mr. H. P. Gowen, J.P., F.S.A.A.) was in the chair, and the guests included the Lord Mayor of Norwich (Mr. P. W. Jewson), the President of the Society of Incorporated Accountants and Auditors (Mr. E. Cassleton Elliott), the Sheriff of Norwich (Mr. W. E. Walker), Mr. G. E. W. Woolsey (President, Norwich Incorporated Law Society), Mr. A. E. Lark (President, East Anglian Chartered Accountants), Major Q. E. Gurney (Vice-President, Norwich Chamber of Commerce), Mr. A. A. Garrett (Secretary, Society of Incorporated Accountants and Auditors), Mr. G. B. Blunden (Senior Inspector of Taxes, Norwich), and Mr. E. A. Parker.

In the absence of Mr. H. Harper-Smith through indisposition, the toast of "The City of Norwich" was proposed by the PRESIDENT. He said that the city was proud that Mr. Jewson should have accepted the Lord Mayoralty, and that he should have as his colleague as Sheriff, Mr. Walker. The Lord Mayor had an important year before him, as it would include the silver jubilee of His Majesty the King and the coming to Norwich of the British Association for the Advancement of Science to hold their annual conference. The duties of the chief officers of a city like Norwich were arduous and varied. The management of the city, with its great undertakings and responsibilities, was equal to that of a large commercial combine, but they felt that it was in safe hands. Norwich was a well-known commercial community, and Norwich goods had a world-wide reputation. They could offer their visitors the sight of up-to-date factories, particularly in relation to boots and shoes, and in passing he would like to say how glad the citizens must be to know that that industry had just amicably settled its differences, due in no small measure to the President of the Boot and Shoe Federation, Sir Ernest White, and the reasonableness of the leaders of the operatives.

The LORD MAYOR (Mr. P. W. Jewson), responding to the toast, said he was beginning to realise what he had suspected for some time, that to be Lord Mayor was a formidable task. He expressed surprise that the city of Norwich managed to exist for so many centuries without accountants. Perhaps that was why the old days were known as the Dark Ages. (Laughter and applause.)

The SHERIFF OF NORWICH (Mr. W. E. Walker) also responded. He said that undoubtedly the Society played an important part in the life of the city. He was passionately fond of Norwich. He might be sentimental, but when he passed the old churches and Nonconformist places of worship he felt proud of his forefathers for the spirit they showed in building those places. (Hear, hear.)

Major Q. E. GURNEY (Vice-President of the Norwich Chamber of Commerce) gave "The Society of Incorporated Accountants and Auditors." He hoped the Society would go on from strength to strength, as he was sure it deserved. There must be many firms and business people in Norwich who had, from time to time, gained by the good advice accountants had been able to give. In his own experience he could say that there were people trading in the city who would long ago have come to a bad end if it had not been for the advice

of an accountant who had put them on the right way, if only to restrict their drawings. (Laughter.)

Mr. E. CASSLETON ELLIOTT (President of the Society of Incorporated Accountants and Auditors), replying, said he knew of no city more worthily renowned than Norwich. During the past few years there had been much talk about money, which was hardly surprising. The time had gone by when it was a simple matter to go to the bank and draw out cash, or not to have it and, through the goodwill of Mr. Gurney, still to draw it out. It was said that money was cheap and that everywhere money was plentiful. Yet when it was required for the financing of businesses they found it difficult to obtain. The yield on gilt-edged securities was getting lower and lower, and prices were mounting higher and higher. The reason was that there was not sufficient money being absorbed in trade and industry. Unfortunately the whole world was becoming nationally-minded and each country was trying to live entirely by itself. Our export trade, he was glad to say, was slightly on the increase. So long as that continued further finances would be required in business. If businesses were sound, he thought it would be found that bankers would be prepared to advance against them. East Anglia had an advantage over the City of London. The personal equation in East Anglia was highly developed. It was the proper course for a customer to go to the banker and put all his cards on the table, and with the personal equation present the banker was an easy man to deal with. In London, where there was more rule and routine, it was difficult to get money for small businesses. He did not mean tiny businesses, but comparatively small, because everyone was now thinking in large amounts. If they wanted to float a £100,000 or £200,000 company the stockbroker would say, "If you make it half a million, we will be able to put it across." The difficulty was they could not immediately form companies large enough to give a profit and appeal to the public. They had to start in a small way and build up. The Inland Revenue was a partner in business to-day by its claim upon profits, but did not contribute a fair share towards the capital required. Mr. Chamberlain, speaking the other night, had been rather depressing about income tax. Looking at the figures as presented, it certainly did seem doubtful whether there would be any further remission. In regard to reserves, the Government thought it was doing extremely well when it gave the extra 10 per cent. for depreciation, but it was a small figure. Mr. Elliott said that a comparatively new form of investment had presented itself in the fixed trusts. He was not entirely in favour of them. He thought they might give cause for considerable difficulty in the future. Securities were purchased and were placed in the hands of a bank. They were safe there, but it was a question of management. Given good and honest management, a rising market with opportunities for purchases, and sales of sub-units as necessary, all might be well. But it was impossible to ignore the market bulges caused by large purchases and sales by fixed trusts, nor how much depended on management. The expenses of management must necessarily be heavy, and in a period of falling prices the market for sub-units would be extremely narrow; and as the sub-units were not officially quoted, the steadying influence of the Stock Exchange would not be available to sub-unit holders. The question that must be considered in the next few years in regard to investments—it affected manufacturers, traders, farmers, solicitors, accountants, in fact, all of them—was how a portion of the vast resources of the country could more easily be made available

for small businesses and small companies than was at present the case. The Macmillan Commission drew particular attention to that point. (Applause.)

Mr. G. B. BLUNDEN (Inspector of Taxes) proposed the toast of "The District Society," expressing his appreciation of the great help accountants gave him. He paid a personal tribute to Mr. Gowen.

Mr. GOWEN, in reply, said that the Society of Incorporated Accountants was the first to inaugurate a scheme of covering the whole country with District Societies. That was largely due to the work of Sir Thomas Keens.

"Our Guests" was given by Mr. O. H. S. SLEIGHT-HOLME, A.S.A.A. (City Accountant), and responded to by Mr. G. E. W. WOOLSEY (President of the Norwich Incorporated Law Society).

Chartered Institute of Secretaries.

The annual dinner of the Chartered Institute of Secretaries took place in the Guildhall, London, on Nov. 21st. Mr. W. G. Hislop, the President of the Institute, presided, and among those present were: The Lord Mayor (Sir Stephen Killik), The Lady Mayoress, Lord Macmillan, Lord Askwith, Lord Allenby, Lord Rochester (Paymaster-General), The Lord Plender, Sir Harry McGowan, Major-General Sir Frederick Sykes, Sir Malcolm A. Robertson, Sir William Clark (High Commissioner in the Union of South Africa), Sir Charles Batho, Sir Arthur Maxwell, Sir William Prescott (Chairman, Metropolitan Water Board), Mr. E. Cassleton Elliott (President, Society of Incorporated Accountants and Auditors), Mr. Henry Morgan, Mr. A. A. Garrett (Secretary, the Society of Incorporated Accountants), Mr. A. E. Cutforth, C.B.E. (President, Institute of Chartered Accountants), Mr. J. R. W. Alexander, Mr. Frederick Greenwood (Registrar of Companies).

Following the loyal toasts, the toast of "The Corporation of London" was proposed by Sir Enoch Hill, J.P., Vice-President.

THE LORD MAYOR, in response, said that the Lady Mayoress and himself were happy to be present at that dinner. It was the first time he had been entertained in the Guildhall since he took office. During a long career in the City of London he had known of the valuable services of Secretaries to Joint Stock Companies and Public Bodies, and had followed with great interest the progress made by the Chartered Institute of Secretaries. He realised the need for study and for knowledge on the part of those who were entrusted with the duties of Secretaries, and he recalled his own studious ambitions when many years ago he was awarded a prize by the Incorporated Accountants' Students' Society of London, of which he now had the honour to be President. The Lord Mayor thanked Sir Enoch Hill for the cordial terms in which he had proposed the toast, and wished continued prosperity to the Chartered Institute of Secretaries.

LORD MACMILLAN proposed "The Chartered Institute of Secretaries" in a very acceptable speech. He expressed his personal indebtedness to Secretaries as, having had the honour to preside over a large number of Commissions and Committees of Enquiry, he dared not think how the duties of Chairman could have been conducted without the valuable services of a Secretary. He explained that his speech that night was not prepared by a Secretary; in fact, he suggested it might have been a very much better speech if it had. (Laughter.) It gave him much pleasure to propose the toast of "The Chartered Institute of Secretaries," and to congratulate their President, Mr. W. G. Hislop, upon presiding at such a brilliant and representative gathering.

Mr. W. G. HISLOP, in replying, referred to the remarkable development of the joint stock system and to the great benefits which it had brought to the whole country. The responsibilities of Secretaries could be imagined when he said that the aggregate capital invested in companies in 1933 was no less than £5,562,429,827. Undertakings carried on by joint stock enterprise would have been impossible if left to individual effort. The system had been relatively free from abuse, and, while there had been some unhappy and flagrant exceptions, these were thrown into sharp relief against a vast background of rectitude and confidence. He deprecated too much regulation by legislation, or that the details of procedure should be too meticulously prescribed by Statute. He hoped that the conscientious officials and directors of companies would be left to conduct their affairs in a spirit of confidence, and that the public should rely upon the ability and honesty of those to whom company affairs were entrusted.

The toast of "The Guests" was proposed by Mr. Howard Foulds, Vice-President, and acknowledgments were given by Field-Marshal Lord Allenby and Sir William Clark, High Commissioner in the Union of South Africa.

District Societies of Incorporated Accountants.

BELFAST.

Syllabus of Lectures, 1934-35.

- 1934.
- Oct. 5th. "The Accounting Provisions of the Companies Act (Northern Ireland), 1932," by Mr. E. Westby-Nunn, B.A., LL.B.
 - Oct. 17th. Students' Meeting. "Double Taxation Relief," by Mr. W. H. Palmer.
 - Nov. 6th. Luncheon in the Carlton at 1 p.m., followed by Paper on the "Current Re-valuation of Northern Ireland."
 - Nov. 12th. Students' Meeting. "Essentials of an Audit," by Mr. D. T. Boyd, B.Com., F.S.A.A.
 - Dec. 3rd. Annual Dinner in Grand Central Hotel (at 7 p.m.).
 - Dec. 14th. Students' Meeting. "Winding-up of Companies," by Mr. W. Keith, A.S.A.A.
- 1935.
- Jan. 7th. Luncheon in the Carlton Restaurant (at 1 p.m.).
 - Jan. 14th. Students' Meeting. Popular night.
 - Jan. 28th. Students' Meeting. "Statistics," by Prof. Lloyd Dedd, M.A.
 - Feb. 4th. Luncheon in the Carlton Restaurant (at 1 p.m.).
 - Feb. 20th. Students' Meeting. "Foreign Exchange," by Mr. W. Knox, Manager, Foreign Exchange Department, Ulster Bank, Limited.
 - Mar. 11th. Luncheon in the Carlton Restaurant (at 1 p.m.).
 - Mar. 20th. Students' Meeting. "Death Duties," by Mr. A. H. Elliott, LL.B.
 - April 16th. Students' Annual Meeting.
 - April 29th. Annual Meeting.

Meetings are held in the Society's Rooms, Coates' Buildings, Castle Street, Belfast, at 7.30 p.m., unless otherwise indicated.

BIRMINGHAM.

RESIGNATION OF HONORARY SECRETARY.

It will be a source of regret to Incorporated Accountants in Birmingham and District that Mr. Percy G. Stembridge, who has been Honorary Secretary to the District Society for a number of years, has found it necessary to resign this office. His resignation will take effect on December 31st, 1934, and he will be succeeded by Mr. John J. Potter, A.S.A.A., of 36, Paradise Street, Birmingham.

EAST ANGLIA.

Syllabus of Lectures, 1934-35.

- 1934.
- Oct. 18th. Tour of the Shoe Works of Howlett & White, Limited, Norwich. Lecture: "Shoe Costing," by Mr. E. A. Parker, A.C.W.A., Works Director.
- Nov. 14th. "Fire and Workmen's Compensation Insurance," by Mr. C. G. Harbord and Mr. R. P. Rowe, of the Norwich Union Insurance Society.
- Nov. 23rd. Annual Dinner.
- Nov. 29th. Tour of the Brewery of Steward & Patteson, Limited, Norwich. Address by Capt. G. G. Morse, Director.
- Dec. 14th. Mock Creditors' Meeting.
- 1935.
- Jan. 18th. "The Law of Partnership," by Mr. E. Westby-Nunn, B.A., LL.B.
- Feb. 22nd. "Suretyship and Guarantees," by Mr. C. A. Sales, LL.B., F.S.A.A.
- Mar. 8th. "The Money Market." (To be arranged.)

HULL.

(STUDENTS' SECTION.)

Syllabus of Lectures, 1934-35.

- 1934.
- Oct. 19th. "Economics," by Mr. J. F. Lewcock, F.R.Econ.S.
- Nov. 2nd. Social Evening.
- Nov. 16th. "Secretarial Practice," by Mr. A. W. Cruickshank, A.S.A.A.
- Nov. 30th. "Provincial Stock Exchange Practice," by Mr. C. Holmes.
- Dec. 14th. "Income Tax Law and Practice," by Mr. V. H. M. Bayley, F.C.A., A.S.A.A.
- 1935.
- Jan. 11th. "Loss of Profits Insurance," by Mr. C. E. Chatterton, F.C.I.I.
- Jan. 25th. "Company Law," by Mr. C. A. Sales, LL.B., F.S.A.A.
- Feb. 8th. "Receivers for the Debenture Holders," by Mr. O. Griffiths, M.A., LL.B.
- Feb. 22nd. "Partnership Law and Accounts," by Mr. Walter W. Bigg, F.C.A., F.S.A.A.
- Mar. 8th. "Costing," by Mr. E. Miles Taylor, F.C.A., F.S.A.A.
- Mar. 22nd. Social Evening.
- All lectures will be held at Paragon House, Paragon Street, Hull, and will commence at 7.15 p.m.

LIVERPOOL.

On November 13th Mr. Richard A. Witty, Examiner to the Society and a Member of the Council, addressed the Incorporated Accountants' District Society of Liverpool on "Training for the Accountancy Profession." Mr. Witty emphasised that training for the profession was not synonymous with training for the examinations. The history of the accountancy profession was unique in its rapid advancement during the past fifty years, but it was not difficult to visualise a future in which accountants would occupy a position in the counsels of the commercial world which would transcend anything ever witnessed in the learned professions of Divinity, Law and Medicine. The lecturer also dealt with the possible rise of specialist practitioners, research, post-graduate study, and the new relation of management in its association with capital and labour.

The chair was occupied by Major E. S. Goulding, O.B.E. (President of the District Society), and the discussion was opened by Mr. Charles Tunnington. At the close of the meeting a Members' Dinner was held, at which the guests included Mr. Witty, Mr. C. F. Mott (Liverpool Director of Education), Mr. Stanley Dumbell (Assistant Registrar of the University of Liverpool), Mr. S. Colvin, (President, Liverpool Society of Chartered Accountants), and Mr. Harold R. Stacey (President, Liverpool Chartered Accountants' Students' Association).

STUDENTS' SECTION.

The Students' Section of the Liverpool Society held a well-attended and successful dance on November 22nd at Reece's Ballroom, Liverpool.

MANCHESTER.

At a meeting of the Incorporated Accountants' Society of Manchester and District on November 2nd, Dr. K. G. Fenelon, Director of the Department of Industrial Administration, College of Technology, Manchester, delivered a lecture on "Some Problems of Industrial Administration."

Dr. Fenelon said that the Manchester College of Technology was the pioneer in this country of specialised training for business management, but its example had recently been followed in London, Dundee and Hull. The training provided was not a substitute for experience, but a preparatory basis on which experience could build.

As a business expanded, a stage was reached when a planned structure of organisation was essential. A chart should be drawn up to show the flow of authority. Line organisation was the simplest type, and responsibilities were clearly allocated. Functional organisation secured the maximum of expert advice and control, but discipline was weaker, owing to the divided responsibility of the foreman. Various combinations or compromises had been devised.

Waste could be avoided in large concerns by a system of budgetary control, under which income and expense items were broken into manageable amounts and allocated to the responsible executives. The system was useful even in medium-sized or small firms.

NORTH STAFFORDSHIRE.

An explanation of the Arbitration Act, 1934, which comes into operation on January 1st, was given by Mr. J. R. W. Alexander, Barrister-at-law (standing Counsel to the Society of Incorporated Accountants and Auditors, and

Chairman of the Finance and General Purposes Committee of the Institute of Arbitrators), to a joint meeting of the Incorporated Accountants' District Society of North Staffordshire, and the North Staffordshire Law Students' Society, at Hanley, on November 23rd. Mr. M. P. Fernyough, the Vice-President of the District Society, presided.

Mr. Alexander said the new Act gave effect to a number of recommendations made in 1927 by a Committee appointed by the Lord Chancellor, of which Mr. Justice McKinnon was Chairman and Sir James Martin a member.

For six years nothing was done to give effect to those recommendations, until in December, 1933, the President of the Institute of Arbitrators, Lord Askwith, asked a question in the House of Lords on the subject. The Lord Chancellor regretted that nothing had been done and suggested that Lord Askwith should prepare the draft of a Bill. A small Committee was accordingly appointed by the Institute of Arbitrators to prepare a Bill. Of this Committee Lord Askwith was the Chairman and Mr. Alexander a member. Within five months of the matter being raised in the House of Lords, the Royal Assent was given to the Bill, the speedy passage of which constituted what is said to be a record for the passing of a Bill of this importance.

Mr. Alexander went on to deal with the improvements in the law of arbitration made by the Act of 1934, which had to be read as one with the principal Act, the Arbitration Act of 1889. In future, he said, it would be possible for the Court to remove an arbitrator who had misconducted the proceedings.

Previously, it had only been possible to remove him for personal misconduct. An arbitrator removed for either of these reasons would not, in future, be entitled to any remuneration for his services.

Another important improvement of the law provided that where three arbitrators were appointed, the decision of any two of them would be binding on the parties. Hitherto the agreement of all three had been necessary to constitute a valid award.

In the past, legally, the arbitrator had to give his award within a period of three months, although he had the right to extend that period. It had been said that an arbitrator could extend his time to a century with complete impunity.

In future there would be no specified time limit, but the arbitrator must act with reasonable dispatch or the Court would relieve him of his appointment.

Another substantial improvement had been effected by providing that the death of one of the parties to an arbitration would not discharge the arbitration agreement, neither would the arbitrator's authority be revoked by the death of the party who appointed him.

SOUTH WALES AND MONMOUTHSHIRE.

(CARDIFF AND DISTRICT STUDENTS' SECTION.)

A Rugby football match was played between the Incorporated Accountant Students of Swansea and Cardiff on November 21st, on the St. Helens ground at Swansea, by kind permission of the Swansea Football Club. Although the weather was not too favourable, the game was an exciting one, resulting in a draw.

The Cardiff students were afterwards entertained to tea. Mr. R. R. Davies, A.S.A.A., in thanking the Swansea students, stated that by means of such matches students were enabled to come into close contact with each other, and he hoped that a return match would be arranged. Mr. H. R. Penhale replied on behalf of the Swansea students.

Through the courtesy of the Mayor's Secretary (Mr. G. L. Turner) the Cardiff students afterwards visited the new Civic Centre recently opened by the Duke of Kent, the party being conducted by Mr. A. L. B. Sims and Mr. D. L. Hearne.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Glasgow Students' Society.

Members of the Society resident in Glasgow and district, as well as members of the Glasgow Students' Society, are reminded that the next meeting is on December 7th in the Scottish Constitutional Club, West George Street, Glasgow, at 5.30 p.m., when a paper on the Post-graduate Course at Cambridge will be read by Mr. Thomas Butchart, A.S.A.A., Edinburgh.

Scottish Municipal Elections.

Scottish Incorporated Accountants were not much in evidence at the municipal elections in November. Mr. W. J. Wood, Perth, retired from the Town Council of that city. Mr. James Paterson, Secretary of the Scottish Branch, failed to retain his seat in the Greenock Town Council, losing it to a Socialist by a narrow majority. At the statutory meeting following the election the Provost, who is the leader of the Labour-Socialist majority in the Council, referred in complimentary terms to ex-Councillor Paterson's long service of 43 years for the community of Greenock, and moved that they record in the minutes of the Corporation their thanks and appreciation of his public services.

Glasgow Municipal Bank.

Following on the interdict by the Lord Ordinary which prevented the use of Corporation offices and officials for the purposes of the Glasgow Bank, Limited, formed as a private company by members of the Glasgow Corporation, the Corporation of Glasgow are promoting a Provisional Order, one of the clauses of which proposes to authorise the Corporation to establish a Municipal Bank. These proposals were strenuously opposed by the Moderate Party, but were carried on a division by 52 votes to 39.

Scottish Law Research Society.

In a recent issue reference was made to a proposal to form a Scots Law Research Society, on the lines of the English Selden Society, the object of which is to encourage the study and advance the knowledge of the history of Scots law. The new Society held an influential inaugural meeting on 18th ult, when Lord Macmillan of Aberfeldy presided over a largely attended meeting which included the Lord President of the Court of Session (Lord Clyde), the Lord Justice Clerk (Lord Aitchison), and other Judges of the Court of Session and representatives of the Law Societies in Scotland. The reports showed that the response to the proposal to form such a society had been extraordinarily good. In referring to the work which the Society would undertake, Lord Clyde said it was probable that in the libraries of France, and certainly in the libraries of the Vatican, there was likely to be more light found upon the history and development of Scots law in early years than anywhere else. They must never forget that the broad stream of the law of Scotland was the product of three tributaries—first, and most of all, the law of Rome; second, the law of the feu; and third, the law of the canons—and that the vehicle which moulded them into one homogeneous system was the Church.

The Fascination of Scots Law.

In an address given recently to the Scottish Law Society on "Law and History," Lord Macmillan of Aberfeldy said there were probably few nations more historically-minded than our own, and no nation had shown itself more tenacious of its past—not as with some less happy peoples, but rather as a source of inspiration for the future.

The legal way of looking at things had always been characteristic of the Scotsman, and all his intellectual activities—religious, social and literary—had tended to have a legal tinge. The law to an unusual extent entered into the daily life of the people, who loved its phrases and revelled in the battles of Parliament House.

Evidencing the zeal shown in spreading a knowledge of the law amongst Scottish citizens of early times, Lord Macmillan quoted from a statute of James IV, 1496, which ordained "that all barons and freeholders that are of substance do put their eldest sons and heirs to the schools from they be eight or nine years of age, and to remain at the grammar schools till they be competently founded and have perfect Latin; and thereafter to remain three years at the schools of art and 'Jure' so that they may have knowledge and understanding of the laws, through which Justice may reign universally through all the realm."

"I have heard recently," added Lord Macmillan, "of the desirability of giving instruction in the elements of law in the schools as a preparation for citizenship, and the project has been regarded as rather a startling novelty. Yet here in Scotland over 400 years ago we made provision for training youthful jurists in our grammar schools."

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1925) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Session Cases (Scotland)*; S.L.T., *Scots Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland; P., President of Probate, Divorce and Admiralty.]

INSOLVENCY.

In re Lyons.

Fraudulent Preference.

By sect. 44 of the Bankruptcy Act, 1914, every payment made by any person unable to pay his debts as they become due from his own money in favour of any creditor with a view of giving such creditor, or any surety or guarantor for the debt due to such creditor, a preference over other creditors, shall, if the person making the same is adjudged bankrupt on a bankruptcy petition presented within three months after the date of making the same, be deemed fraudulent and void as against the trustee in bankruptcy.

The Court of Appeal held that payment by a debtor in reduction of an overdraft is not, in the absence of direct evidence of an intent to prefer, sufficient to justify an inference of intent to prefer the guarantor of the overdraft.

(C.A. 1934, L.J.N. 305.)

EXECUTORSHIP LAW AND TRUSTS.

Re Benjamin's Estate.

Attestation of Will.

The signature of a testator to his will may be duly attested although an attesting witness does not know that the document in question is the testator's will. The intention of the witness is immaterial so long as he signs the paper in compliance with the requirements of the Wills Act, 1837.

(P. : 1934, 150 L.T. 417.)

In re Sigsworth; Bedford v. Bedford.

Murder of Mother by Son.

A coroner's jury found a verdict against X of wilful murder of his mother and of *felo de se*. X was named as the sole beneficiary under his mother's will. A summons was taken out to determine the devolution of the mother's estate.

It was held that the rule of public policy which prevented X (or his estate) from benefiting under the mother's will also debarred his personal representative from participating as such in the intestacy arising from the death of the mother caused by the son's act.

(Ch. ; 1934, 51 T.L.R. 9.)

Forster v. Williams Deacon's Bank.

Charge for Services.

By sect. 4 (3) of the Public Trustee Act, 1906, any banking or other body corporate entitled by rules made under the Act to act as custodian trustee, is empowered to charge and retain or pay out of the trust property fees not exceeding the fees chargeable by the public trustee as custodian trustee.

It was held by Bennett (J.) that the Act of 1906, contains no express or implied prohibition against a corporation, entitled to act as custodian trustee, holding the offices of sole managing trustee and custodian trustee, or charging for its services as custodian trustee the remuneration which the public trustee would be entitled to charge under sect. 4 (3) of the Act.

(Ch. ; 1934, 51 T.L.R. 23.)

Simpson v. Grange Trust, Limited.

Management Expenses.

By the Income Tax Act, 1918, sect. 33 (1), where any company whose business consists mainly in the making of investments, and the principal part of whose income is derived therefrom, claims and proves to the satisfaction of the Special Commissioners that, for any year of assessment, it has been charged to tax by deduction or otherwise, and has not been charged in respect of its profits in accordance with the rules applicable to Case 1 of Schedule D, the company shall be entitled to repayment of so much of the tax paid by it as is equal to the amount of the tax on any sums disbursed as expenses of management (including commissions) for that year. But by proviso (a) relief is not to be given under the section so as to make the tax paid by the company less than the tax which would have been paid if the profits had been charged in accordance with the said rules.

It was held that the limit imposed by proviso (a) to the relief given by sub-sect. 1 only applied to a company of the kind specified in the sub-section whose profits could at the option of the Crown have been charged to tax under Case 1 of Schedule D.

(C.A. ; (1934) 2 K.B., 317.)